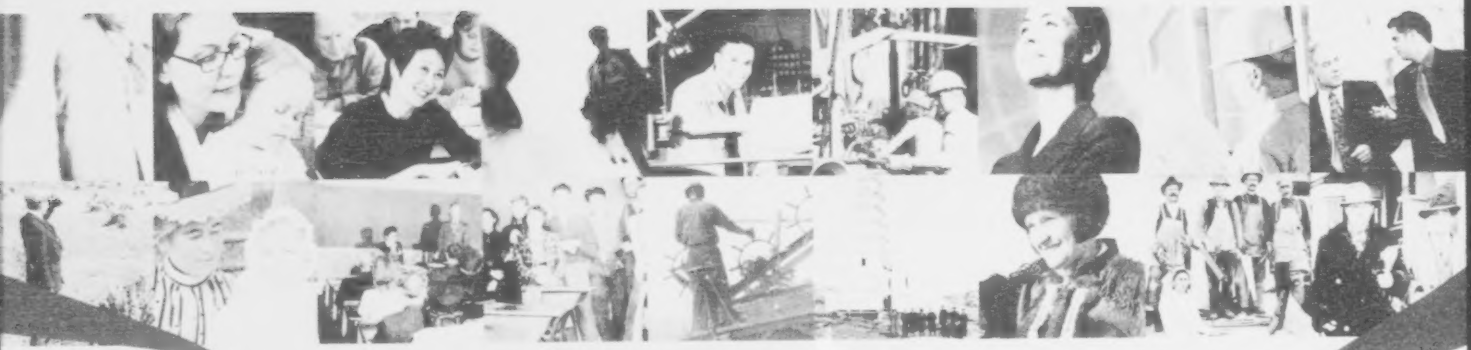

2005
BUDGET

FISCAL PLAN

PRESENTED BY
SHIRLEY MCCLELLAN
MINISTER OF FINANCE

in the Legislative Assembly of Alberta
April 13, 2005

Table of Contents

Highlights 1
Fiscal Plan 5
Capital Plan 61
Economic Outlook 77
Alberta Advantage 107
Alberta Tax Advantage 129
Response to the Auditor General 143
It's Your Future 153
Index of Charts and Tables 171

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HIGHLIGHTS

BUDGET 2005

Investing in the Next Alberta

2005-08 FISCAL PLAN

- *Budget 2005* will be Alberta's 12th consecutive balanced budget. It will also be the first budget with accumulated debt eliminated.
- Since 1993-94, the government has followed an aggressive agenda to eliminate deficits and debt, reduce taxes and fund essential programs.
- *Budget 2005* will invest in key elements of the province's twenty-year strategic plan, including initiatives to improve education, address infrastructure requirements, encourage research and innovation, and make Alberta the best place to live, work and visit.

LEADING IN LEARNING

- Advanced Education spending will increase by 13.4%, or $196 million in 2005-06. This September, the government will pay tuition increases at public post-secondary institutions. Over the next three years, 15,000 new spaces will be added to the advanced education system. A $3 billion advanced education endowment will also be established from future surpluses.
- Program support for the basic education system will increase by 7.1%, or $287 million in 2005-06. Funding will be provided to hire more teachers to reduce class sizes.

THE BEST PLACE TO LIVE, WORK AND VISIT

- Health and Wellness program expense will increase by 8.6%, or $707 million in 2005-06.
- Spending on social services will increase by 8.3%, or $205 million in 2005-06. This includes:
  - An additional $42 million for enhanced dental and optical assistance for seniors and starting January 1, 2005, senior homeowners will be protected against school property tax increases.
  - Nearly 20% increase in AISH funding in 2005-06 for an increase in monthly income benefits, other program enhancements and higher caseloads and health benefit costs.
- Funding for policing programs and the justice system will increase by 10% in 2005-06.
- The Alberta Family Employment Tax Credit will be enhanced.
- Tourism funding will increase by nearly 75% in 2005-06.

UNLEASHING INNOVATION AND COMPETING IN THE GLOBAL MARKETPLACE

- Alberta will continue to have the lowest overall taxes in Canada. In 2005:
  - School property tax mill rates will be reduced by 5%.
  - Alberta's personal income tax system will continue to be indexed against inflation.
  - The hotel room tax will be reduced from 5% to 4% and converted into a tourism levy.
- The 2005-08 Capital Plan will support $9.2 billion of capital projects over the next three years:
  - $3.1 billion for municipal infrastructure, including funding for the first three years of the new five-year, $3 billion Municipal Infrastructure Program.
  - $2.7 billion for health, school and post-secondary facilities.
  - $2 billion for the provincial highway network.
  - $1.4 billion for other capital projects, including centennial projects.
- Research and Innovation initiatives:
  - $250 million will be provided through the endowment funds for medical, and science and engineering research in Alberta over the next three years.
  - $200 million will be provided over the next five years to encourage the development of innovative technologies to enhance oil and gas recovery.

FISCAL OVERVIEW

- Key elements of the fiscal framework remain unchanged. Deficits are against the law. The government will not borrow to support increases in operating spending.
- Two key amendments are being made to the *Fiscal Responsibility Act*:
    - The funds currently in the Debt Retirement Account will be locked-in and only used to repay accumulated debt as it matures.
    - The amount of non-renewable resource revenue that can be used for budget purposes will increase from $4 billion to $4.75 billion.
- In 2005-06, total revenue is estimated at $27.3 billion and total expense at $25.8 billion. Net revenue (surplus) is estimated at $1.5 billion. Program expense will increase by 5.9%. The Sustainability Fund will be maintained at $2.5 billion.
- Surpluses are no longer required to be set aside for debt repayment. Over the next three years, $5.5 billion from year-end surpluses, and non-renewable resource revenue above the $4.75 billion budget limit, will be reallocated to:
    - Capital Account – $4.1 billion,
    - Heritage Fund – $667 million for inflation-proofing,
    - Heritage Fund – $250 million for the initial allocation to the new advanced education endowment, and
    - Medical Research Endowment Fund – $500 million.
- If revenue is higher than estimated in *Budget 2005*, the additional revenue could be used to increase the size of the Sustainability Fund or reallocated to the Capital Account, Heritage Fund, endowment funds or other balance sheet improvements.

MAJOR ECONOMIC AND ENERGY ASSUMPTIONS

Energy and Exchange Rate Assumptions (fiscal year)	2005-06	2006-07	2007-08
Oil Price (WTI US$/bbl)	42.00	32.00	31.00
Natural Gas Price (Cdn$/GJ)	5.60	5.40	5.20
Exchange Rate (US¢/Cdn$)	83.5	85.0	85.0

Economic Assumptions (calendar year)	2005	2006	2007
Alberta Real GDP (% change)	3.7	3.3	3.0
Unemployment Rate (%)	4.5	4.4	4.2
Alberta Consumer Price Index (% change)	1.7	1.9	1.9

Accountability Statement

The government's Fiscal Plan for the three years commencing April 1, 2005 was prepared under my direction in accordance with the *Government Accountability Act* and the government's accounting policies. All of the government's policy decisions as of March 21, 2005 with material economic or fiscal implications have been considered in preparing the three-year Fiscal Plan.

The government is committed to achieving the planned results laid out in the Fiscal Plan, which includes the government's Business Plan and Capital Plan.

Shirley McClellan

Shirley McClellan
Minister of Finance
March 30, 2005

2005-08 FISCAL PLAN

2005
BUDGET

Table of Contents

Investing in the Next Alberta 7
Strategic Investments 12
Economic and Revenue Outlook 30

LIST OF FISCAL PLAN TABLES AND CHARTS

Fiscal Summary 38
Sustainability Fund 38
Accumulated Debt 38
Balance Sheet Summary 39
Estimate of Assets, Liabilities and Net Assets 39
Revenue 40
2005-06 Revenue 41
Expense by Ministry 42
Expense by Function 42
2005-06 Expense 43
2005-06 Expense by Function 44
2005-06 Expense by Object 45
Capital Plan 46
2005-08 Capital Plan 46
Capital Plan Funding Details 47
Comparison of the Capital Plan and Capital Expense 47
Capital Investment in Government-Owned Capital 48
Grants to Local Authorities for Capital Purposes and Other Infrastructure Support 48
Capital Amortization for Government-Owned Capital 49
Capital Account 49
Sustainability Fund Details 50
Detailed Sustainability Fund Adjustments 51
Balance Sheet Details 52
Capital Assets 53
Debt Servicing Costs 53
Pension Obligations 53
General Revenue Fund Term Debt Maturities 54
Net Financing Requirements 54
Loans and Advances 55
Guarantees 55
2005-06 Allocation of Lottery Fund Revenue 56
Full-Time Equivalent Employment 57
Premiums, Fees and Licences Changes 57
Major Provincial Tax Rates, 2005 58
Key Energy and Economic Assumptions 59
Sensitivities to Fiscal Year Assumptions, 2005-06 59
Historical Fiscal Summary, 1986-87 to 2007-08 60

Investing in the Next Alberta

Alberta now enters its second century with a strong economy, no debt, nation-leading rates of growth and employment, a high standard of living, and an enviable quality of life.

Speech from the Throne
March 2, 2005

In 2005, Albertans will be celebrating the 100th anniversary of their province. Over the last hundred years, Alberta has become a leader in Canada, not only in terms of economic strength, but also as an innovator in areas such as education, health, tax and fiscal policy.

2005 also marks the next stage in Alberta's development. With accumulated debt gone, there is an increased ability to invest in the key opportunities laid out in the province's twenty-year strategic plan.

Budget 2005 takes the next steps in implementing this strategy. Strategic investments and a continuing commitment to fiscal responsibility will help to ensure the next Alberta is even better than the Alberta of today.

2005-08 Fiscal Plan

Since 1993-94, the government has followed an aggressive agenda to eliminate deficits and debt, reduce taxes and fund essential programs.

In *Budget 2005*, investments will be made in key elements of the province's twenty-year strategic plan. This includes major initiatives to improve education, address infrastructure requirements, encourage research and innovation, and make Alberta the best place to live, work and visit.

Leading in Learning. Albertans already benefit from one of the best education systems in the world. *Budget 2005* will:

- Strengthen the advanced education system by improving access and affordability and by establishing a $3 billion advanced education endowment from future surpluses.
- Continue to improve the basic education system by providing increased funding to reduce class sizes by hiring more teachers.

The Best Place to Live, Work and Visit. Alberta will continue to be the best place to live, work and visit. *Budget 2005* will:

- Provide increased funding for health, social and policing/justice programs.
- Increase benefits for seniors and Assured Income for the Severely Handicapped (AISH) recipients. Low and middle income working families will benefit from enhancements to the Alberta Family Employment Tax Credit.

Unleashing Innovation and Competing in the Global Marketplace. Alberta has the strongest economy in Canada. *Budget 2005* will enhance this position by:

- Providing over $9 billion in infrastructure support over three years, including a major increase in support for municipal infrastructure.
- Supporting initiatives to encourage research, innovation and economic growth in key sectors.
- Maintaining the lowest overall taxes in Canada.

FISCAL FRAMEWORK

The government has decided to introduce two main amendments to the *Fiscal Responsibility Act*:

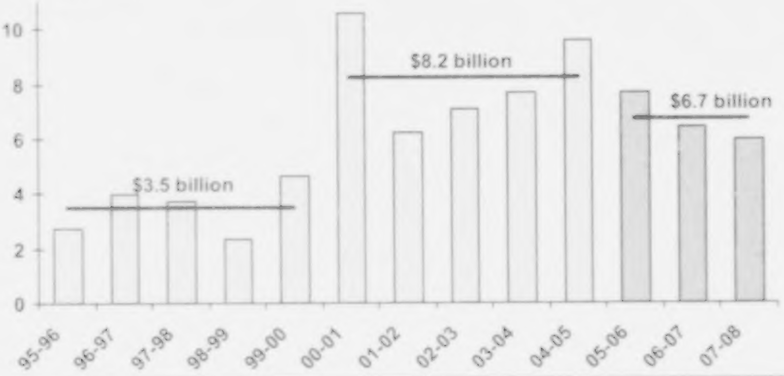
Fiscal Responsibility Act will be amended to lock-in the Debt Retirement Account and to raise the resource revenue limit to $4.75 billion.

- The funds currently set aside in the Debt Retirement Account to repay debt will be locked-in and only used to pay off accumulated debt as it matures.
- The amount of non-renewable resource revenue that can be used for budget purposes will be raised from $4 billion to $4.75 billion.

The decision to raise the non-renewable resource revenue limit is based on four factors:

- Over the last five years, non-renewable resource revenue has averaged over $8 billion a year.
- The medium-term outlook for energy revenue is expected to continue to be above the annual $4.75 billion limit.
- The province has eliminated its accumulated debt.
- Albertans have indicated that, if resources are available, the government should address key priority areas more aggressively.

Non-renewable Resource Revenue
1995-96 to 2007-08
(billions of dollars)



The key elements of the province's fiscal framework remain unchanged:

No deficits.
No operating debt.

- **Deficits are against the law.** The *Fiscal Responsibility Act* forbids the government from incurring deficits. Funding from the Sustainability Fund can continue to be used to offset the cost of disasters and emergencies, natural gas rebates and First Nations settlements. The Capital Account can be used to pay for capital spending.
- **Limitations on Future Debt.** The government will not borrow to increase operating spending. Borrowing for capital purposes will continue to be allowed, as will borrowing required by self-supporting corporations such as the Agriculture Financial Services Corporation.

- **Sustainability Fund.** Non-renewable resource revenue above $4.75 billion will be deposited into the Sustainability Fund. The Fund can be used to protect program and capital spending from volatile revenue and the cost of emergencies, disasters, natural gas rebates and First Nations settlements. When the assets of the Sustainability Fund are greater than $2.5 billion, funds can be reallocated to the Capital Account, Heritage Fund or other balance sheet improvements.
- **Contingency Allowance.** At least 1% of budgeted revenue for fiscal policy purposes is required to be set aside. This is also the limit on in-year program spending and revenue reduction initiatives not funded from the Sustainability Fund or Capital Account.
- **Capital Framework.** Capital projects can be paid for from current revenue, funded from the Capital Account or be alternatively financed. The Capital Account allows revenue to be carried forward from one year to the next to pay for capital projects.

FISCAL SUMMARY

Alberta's 12th consecutive balanced budget

As required by law, *Budget 2005* will be Alberta's twelfth consecutive balanced budget. The budget will also be balanced in 2006-07 and 2007-08. Alberta continues to be the only province that has eliminated its accumulated debt and has net financial assets.

In 2005-06, revenue is expected to decline to $27.3 billion, reflecting lower energy revenue. Total expense will increase to $25.8 billion. Net revenue (surplus), prior to Sustainability Fund and Capital Account transfers, is estimated at $1.5 billion.

A Contingency Allowance of $248 million has been set aside and can be used to respond to unforeseen issues that arise during the year.

Net revenue (surplus) in 2005-06 is estimated at $1.5 billion.

Fiscal Summary[a]

(millions of dollars)

	2004-05 Forecast	2005-06 Estimate	2006-07 Target	2007-08 Target
Revenue	28,753	27,346	26,537	26,890
Expense				
Program	24,114	25,535	26,225	26,589
Debt servicing costs	325	291	250	252
Total Expense	24,439	25,826	26,475	26,841
Net Revenue	**4,314**	**1,520**	**62**	**49**
Transfer from Capital Account	1,209	1,274	1,629	1,157
Net Transfer from (to) Sustainability Fund	(5,523)	(2,546)	(1,432)	(948)
Contingency Allowance	**—**	**248**	**259**	**258**

[a] Subject to the *Fiscal Responsibility Act*. Excludes the change in pension obligations.

Amendments to the *Fiscal Responsibility Act* simplify the calculation of the Contingency Allowance/Economic Cushion. The Contingency Allowance continues to be set at a minimum of 1% of budgeted revenue for fiscal policy purposes. The previous requirement to set aside the net amount of the retained income of funds and agencies and capital cash requirements as part of an Economic Cushion will now be treated as an adjustment within the Sustainability Fund.

In 2005-06, the net transfer to the Sustainability Fund includes non-renewable resource revenue above $4.75 billion, less $285 million for natural gas rebates and $133 million for BSE emergency assistance.

The transfer from the Capital Account provides additional funding for local authority capital projects.

SUSTAINABILITY FUND

Budgeted Uses in 2005-08. Over the last two years, the Fund has paid a total of $1.6 billion in emergency/disaster assistance related to BSE, forest fires and floods, and $528 million in natural gas rebates.

In 2005-06, the Sustainability Fund will be used to pay for $133 million in BSE disaster assistance as a result of the unexpected extension of the U.S. border closure to imports of live cattle.

Based on the forecast of natural gas prices, it is also expected that the Fund will provide $285 million for natural gas rebates in 2005-06. More than one million natural gas users are eligible for natural gas rebates.

$285 million budgeted for natural gas rebates.

The current structure of the natural gas rebate program remains in place until March 31, 2006. The government will review the program parameters to see if changes are needed. The fiscal plan assumes a rebate program will remain in place in 2006-07 and 2007-08 and, based on the current forecast of natural gas prices, $285 million in rebates would be paid in each of those years.

Target Level/Reallocations. When the Sustainability Fund reaches $2.5 billion, the government is allowed to reallocate assets from the Fund to the Capital Account and other balance sheet improvements. Over the last two years, a total of $4.6 billion has been reallocated to the Debt Retirement Account and $2 billion to the Capital Account.

Continuing high energy prices are expected to result in non-renewable resource revenue exceeding the $4.75 billion level in each of the next three years. With the elimination of accumulated debt allocations are no longer required for debt repayment.

$5.5 billion to be provided to the Capital Account, Heritage Fund, and Medical Research Endowment Fund over the next three years.

Over the three years, $5.5 billion from the Sustainability Fund will become available for reallocation. The following allocations are planned:

- $4.1 billion to the Capital Account to help pay for capital projects,
- $667 million to the Heritage Fund for inflation-proofing,
- $250 million to the Heritage Fund as the first installment for the advanced education endowment, and
- $500 million to the Medical Research Endowment Fund.

If revenue is higher than estimated in *Budget 2005*, the additional revenue could be used to increase the size of the Sustainability Fund or make additional allocations to the advanced education endowment, Scholarship Fund, Science and Engineering Research Fund, Heritage Fund, Capital Account or other balance sheet improvements. These potential allocations will be decided during the year as updated forecasts become available.

Sustainability Fund
(millions of dollars)

	2004-05 Forecast	2005-06 Estimate	2006-07 Target	2007-08 Target
Assets at start of year	2,500	3,498	2,500	2,500
Transfers from general revenue	6,657	2,964	1,717	1,233
Withdrawals:				
Emergencies/disasters	(820)	(133)	—	—
Natural gas rebates	(314)	(285)	(285)	(285)
Adjustments[a]	341	384	(521)	(275)
Assets prior to reallocation	8,364	6,428	3,411	3,173
Reallocation to:				
Debt Retirement Account	(3,730)	—	—	—
Capital Account	(1,136)	(3,263)	(537)	(295)
Heritage Fund (inflation-proofing)	—	(215)	(224)	(228)
Heritage Fund (advanced education)	—	(250)	—	—
Medical Research Endowment Fund	—	(200)	(150)	(150)
Assets at end of year	**3,498**	**2,500**	**2,500**	**2,500**

[a] Retained income of funds and agencies and cash adjustments.

Sustainability Fund maintained at $2.5 billion.

DEBT RETIREMENT ACCOUNT

In 2004-05, the government set aside sufficient financial assets to repay the province's remaining accumulated debt as it matures. These funds will be locked-in by an amendment to the *Fiscal Responsibility Act* so that they can only be used to repay accumulated debt.

At March 31, 2005, the Debt Retirement Account is forecast to have assets of $3.5 billion that will be used to repay the remaining $3.5 billion of accumulated debt.

Over the next three years, $1.6 billion of accumulated debt will reach maturity. This will result in the Debt Retirement Account and accumulated debt being reduced to $1.9 billion at March 31, 2008.

Eliminating $23 billion in debt has reduced annual debt servicing costs by $1.5 billion.

Over the last decade, the government has eliminated $23 billion in accumulated debt and reduced its annual debt servicing costs by $1.5 billion.

Accumulated Debt
(millions of dollars)

	2003-04 Actual	2004-05 Forecast	2005-06 Estimate	2006-07 Target	2007-08 Target
Debt at start of year	6,746	4,971	3,469	2,220	2,125
Repayment of debt maturities	(1,775)	(1,502)	(1,249)	(95)	(257)
Debt at end of year	4,971	3,469	2,220	2,125	1,868
Less: Debt Retirement Account	(1,241)	(3,469)	(2,220)	(2,125)	(1,868)
Accumulated Debt	**3,730**	—	—	—	—

Strategic Investments

In the fall of 2004, Albertans were asked through the *It's Your Future* survey, what they thought the priorities of the government should be. Nearly 300,000 responses were received.

It's Your Future chapter contains the final results of the survey.

Health and education were clearly identified as the top priorities. But most respondents also expressed strong support for a range of other priorities.

Budget 2005 will make strategic investments in the priority areas identified by Albertans. In 2005-06, total program spending will increase by 5.9%. Excluding funding for emergencies, disasters and natural gas rebates, and expense for capital purposes, the increase in base operating expense will be 9.6% or $2 billion. Over the three years, base operating expense is targeted to increase by 17.6% or $3.6 billion. This is the increase being provided for ongoing operating costs of new and existing government programs.

Program Expense
(millions of dollars)

	2004-05 Forecast	2005-06 Estimate	2006-07 Target	2007-08 Target	3-year Change
Base operating expense	20,532	22,511	23,402	24,138	3,606
Expense for capital purposes[a]	2,448	2,606	2,538	2,166	(282)
Sustainability Fund transfers for:					
Emergencies and disasters	820	133	—	—	(820)
Natural gas rebates	314	285	285	285	(29)
Total Program Expense	**24,114**	**25,535**	**26,225**	**26,589**	**2,475**
Percentage increase					
Base operating expense		9.6	4.0	3.1	17.6
Total program expense		5.9	2.7	1.4	10.3

[a] Includes capital grants to local authorities, highway planning and rehabilitation, and capital amortization. Does not include capital investment of government-owned capital assets and the value of alternatively financed capital projects of local authorities. Declines in 2007-08 because of alternative financing of some local authority capital projects.

$25.5 billion for Albertans' program priorities.

Health continues to account for the largest share of overall government program spending at 37%. In 2005-06, the Ministry of Health and Wellness will receive an 8.6% increase.

Education, including basic and advanced education, will account for 26% of total government spending. In 2005-06, the Ministry of Advanced Education will receive a 13.4% increase and program support for the basic education system will increase by 7.1%.

Social service programs provide assistance to seniors, children, severely handicapped individuals, persons with disabilities and other Albertans requiring help. In 2005-06, spending will increase by 8.3%.

Other areas, in particular policing, tourism, and research and innovation, will receive increased support in 2005-06. Nearly $1.2 billion will also be invested in agriculture programs.

Infrastructure requirements will be addressed at a level unmatched in the rest of the country. The 2005-08 Capital Plan will directly support $9.2 billion in capital projects. Support for municipal infrastructure will account for one-third of the Capital Plan and will include the first three years of the new five-year, $3 billion Municipal Infrastructure Program.

The Capital Plan will support $9.2 billion in capital projects.

2005-08 Capital Plan
(millions of dollars)

	2005-08 Estimate	Percentage Share
Municipal infrastructure support	3,153	34%
Health, schools, post-secondary facilities	2,709	30%
Provincial highway network	1,970	21%
Other	1,387	15%
Total Capital Plan	**9,219**	**100%**

The 2005-08 Capital Plan is over $2.7 billion larger than the 2004-07 Capital Plan published in *Budget 2004*. The increase reflects:

- Increased support for municipal infrastructure.
- New health and learning projects in Edmonton and Calgary.
- Cost pressures due to tight local construction markets, increases in world prices for commodities like steel, and scope changes for some projects.

Municipal infrastructure support accounts for over one-third of the total Capital Plan.

Comparison of 2004-07 and 2005-08 Capital Plans
(millions of dollars)

	2004-07 *Budget 2004*	2005-08 *Budget 2005*	Change
Municipal infrastructure support	1,102	3,153	2,051
Health, schools, post-secondary facilities	2,145	2,709	564
Provincial highway network	1,741	1,970	229
Other	1,470	1,387	(83)
Total Capital Plan	**6,458**	**9,219**	**2,761**

The **Alberta Tax Advantage** will be maintained. Albertans will continue to benefit from the lowest overall taxes in the country.

Nearly $2.5 billion in personal and business tax cuts have been provided over the last six years.

Between 1999 and 2001, the government phased in over $1.5 billion in personal income tax cuts. Business tax reductions were implemented between 2001 and 2004, saving businesses about $950 million.

In *Budget 2005*, tax reductions will be more modest. Enhancements are being made to the Alberta Family Employment Tax Credit. The hotel room tax is being reduced and converted into a tourism levy. Indexing of the personal income tax system will continue. Senior homeowners will be protected from increases in school property taxes. School property tax mill rates will be reduced by about 5%.

ADVANCED EDUCATION

Strengthening the advanced education system is the government's top priority this centennial year. The goal is for Albertans to have the best access and the highest participation rate in post-secondary education in Canada.

Advanced Education spending will increase by 13.4% in 2005-06.

In 2005-06, Advanced Education program expense will increase by $196 million, or 13.4%, to nearly $1.7 billion. Over the three years, funding will increase by $433 million, or by almost 30%, reaching $1.9 billion.

QUALITY AND ACCESSIBILITY – POST-SECONDARY INSTITUTIONS

In 2005-06, support to post-secondary institutions will increase by $126 million, or 10.3%, to almost $1.4 billion. By 2007-08, funding will have increased by $382 million, or 31.2%, to over $1.6 billion. Major increases in 2005-06 include:

- $81 million for base operating grants. These grants will increase by 6% per year for the next three years. Institutions will be expected to demonstrate improved outcomes from this additional investment. In addition, an increase of $1 million is being provided to the Performance Envelope bringing its total budget to almost $13 million. The Performance Envelope rewards institutions for the achievement of performance targets.
- $30 million for the Access Growth Fund, an increase of 33%. This additional funding will be used to address enrolment growth, expand apprenticeship training capacity and encourage increased participation in advanced education learning opportunities.
- $14 million in other program support. Funding is being provided for the costs of operating new facilities, accessing SuperNet, and initiatives to improve accessibility, including the development of a common application process for all Alberta post-secondary institutions.

15,000 new spaces to be added.

Access. By 2008, 15,000 new spaces will be added across the advanced education system – in universities, colleges, technical institutes, apprenticeship and other community-based programs. By 2011, the number of new spaces will increase by 30,000 and, by 2020, spaces will have been increased by 60,000. New opportunities will extend beyond the traditional classroom to include expanded access closer to the learner.

Access to the Future Act. Legislation has been introduced to establish an advanced education endowment, as part of the Heritage Savings Trust Fund. This endowment is targeted to grow over time to $3 billion. An initial allocation of $250 million is budgeted in 2005-06.

$3 billion advanced education endowment to be established.

This initial allocation to the endowment will result in $11 million being available in 2006-07 in the Access to the Future Fund. When the endowment reaches $3 billion, annual spending from the Access to the Future Fund will be $135 million.

The Fund is expected to provide seed money for innovations in the advanced education system as well as matching grants to stimulate private, corporate and public contributions to the system. Initiatives that improve affordability and learner outcomes, and develop, attract and retain faculty, staff and graduate students could be supported by the Fund.

The *Access to the Future Act* also lays the groundwork for introducing a common application process, developing tools to make accessing information on scholarships and bursaries easier for students, enhancing transferability and recognition of learning experiences, and increasing participation for groups under-represented in the advanced education system.

AFFORDABILITY – STUDENT ASSISTANCE

This year the government will pay tuition increases saving students $43 million.

Tuition. This September, the government will pay tuition increases at public post-secondary institutions. This one-time payment will save students $43 million. A comprehensive review of the affordability of advanced education in Alberta will be undertaken. One outcome of this review will be a new tuition policy to be in place by the fall of 2006.

$72 million will be provided in 2005-06 for scholarships, bursaries and grants.

Student Assistance. Funding for scholarships, bursaries and grants to students will increase by $7.5 million, or 11.7%, to $72 million in 2005-06. About 30,000 students will receive scholarships. This includes the new Lois Hole Humanities and Social Science Scholarship that will provide $5,000 to each of four post-secondary students.

Alberta expects to disburse $105 million in student loans in 2005-06. To recognize increased student living costs, yearly loan limits are increasing to $12,140 from $11,600. The Alberta Student Loan Relief Benefit and the Loan Relief Completion Payment will reduce the debt of students in their first and final years of study. Alberta continues to have the most generous student debt relief programs in the country.

The Alberta Centennial Education Savings Plan was established to encourage parents to save for their children's education and help students pay the future costs of advanced education. The cost in 2005-06, the first full fiscal year of the Plan, is estimated at $19.5 million.

CAPITAL SUPPORT FOR POST-SECONDARY FACILITIES

$469 million for post-secondary capital projects over the next three years.

$469 million in post-secondary capital projects will be supported over the next three years through the Ministry of Infrastructure and Transportation, Ministry of Innovation and Science, and the Medical Research Endowment Fund.

Ministry of Advanced Education[a]

(millions of dollars)

	2004-05 Forecast	2005-06 Estimate	2006-07 Target	2007-08 Target
Support to post-secondary institutions	1,228	1,354	1,484	1,610
Access to the Future Fund	—	—	11	12
One-time tuition fee support	—	43	—	—
Student assistance	161	178	189	192
Program delivery/support services	73	83	81	81
Total Program Spending	**1,462**	**1,658**	**1,765**	**1,895**
Annual increase		196	107	130
Percentage increase		13.4	6.5	7.3

[a] Does not include capital support from the Ministry of Infrastructure and Transportation, Ministry of Innovation and Science, and the Medical Research Endowment Fund.

BASIC EDUCATION

Program support for basic education will increase by 7.1% to $4.3 billion in 2005-06.

Excellence in the basic education system continues to be a high priority for Albertans. In 2005-06, program support for the basic education system, through the Ministry of Education and property tax support to opted-out school boards, will be $4.3 billion, an increase of $287 million, or 7.1%. By 2007-08, this support will be almost $4.7 billion, an increase of $638 million, or 15.8%, over the three years.

SUPPORT TO SCHOOL BOARDS

In 2005-06, base operating support to school boards will increase by 5.4%, or $180 million. This will bring support to public and separate school boards, including property tax support, to $3.5 billion. By 2007-08, this support will reach $3.75 billion, a three-year increase of $416 million, or 12.5%.

This increased funding should provide school boards with increased flexibility to address local basic education needs as no general enrolment growth is expected over the three years and the rate of growth in funding exceeds the expected rate of inflation and other volume increases.

Part of this increase will be provided through the flexible structure of the Renewed Funding Framework and will provide funding for:

- Professional development to ensure teachers are familiar with Alberta's new curriculum and best teaching practices.
- Additional innovative technology in the classroom.
- Increased transportation costs.
- Increased numbers and costs for students with severe special needs.
- Increased support for students requiring English as a Second Language programming.

CLASS SIZE INITIATIVE

In July 2004, the government announced that school boards would receive, in addition to their base grants, funding to hire 2,265 teachers in order to reduce class sizes over three years. 1,250 new classroom teachers were hired under this initiative for the 2004-05 school year.

Funding will be provided to hire more teachers to reduce class sizes.

With the additional class size funding being provided in *Budget 2005*, it is expected that school boards will be able to hire another 435 classroom teachers in 2005-06 and a further 580 classroom teachers in 2006-07. This fulfills the government's commitment to provide funding to hire 2,265 teachers and will allow school boards to reduce class sizes to the recommended guidelines of Alberta's Commission on Learning. By 2007-08, annual funding for this initiative will reach $173 million.

OTHER BASIC EDUCATION SUPPORT

In 2005-06, other basic education support will increase by $49 million, or 8.5%, to $629 million. This includes:

- 16% increase in the cost of teachers' pensions, in part related to the hiring of additional teachers.
- 6.5% increase in funding for accredited private schools due to rising enrolments.
- Increases for the Alberta Initiative for School Improvement, the Student Health Initiative and the Learning Resources Centre.

CAPITAL SUPPORT FOR SCHOOL FACILITIES

$644 million in school capital projects will be supported over the next three years through the Ministry of Infrastructure and Transportation. About $350 million a year for the operation and maintenance of school facilities will also be provided through the Ministry of Infrastructure and Transportation.

$644 million for school capital projects over the next three years.

Basic Education[a]

(millions of dollars)

	2004-05 Forecast	2005-06 Estimate	2006-07 Target	2007-08 Target
Operating support to school boards	3,329	3,509	3,617	3,745
Class size initiative	52	110	147	173
Other basic education support:				
Teachers' pensions	275	319	349	362
Accredited private schools	121	129	136	142
Other initiatives/programs	184	181	175	177
Program delivery/support services	84	84	83	84
Basic Education Program Support	**4,045**	**4,332**	**4,507**	**4,683**
Opted-out boards' property tax revenue	(171)	(177)	(182)	(186)
Ministry of Education Program Expense	3,874	4,155	4,325	4,497
Annual increase in program support		287	175	176
Percentage increase in program support		7.1	4.0	3.9

[a] Does not include capital and operation and maintenance support for school facilities from the Ministry of Infrastructure and Transportation.

HEALTH

Over $9.5 billion for health spending in 2005-06.

In 2005-06, Alberta will spend over $9.5 billion, or 37% of the provincial budget, on health. This includes spending by the Ministry of Health and Wellness and capital spending on health by the Ministry of Infrastructure and Transportation. Since 1995-96, health spending has grown by an average of about 10% per year.

In 2005-06, the cost of health services requires all the revenue from health care insurance premiums and federal health transfers, as well as all of the revenue from personal income taxes and over half the revenue from corporate income taxes. Rising costs from an aging population, modern drugs and new technologies will continue to put pressure on the health system.

To make quality health care services available and affordable, Alberta's entire health care system, including the health authorities, needs to be more innovative. To learn from the experiences of other countries, an international health symposium will be held in Calgary in May 2005.

Ministry of Health and Wellness spending will increase by 8.6% in 2005-06.

HEALTH AND WELLNESS SPENDING

Program expense by the Ministry of Health and Wellness will increase by $707 million, or 8.6%, to nearly $9 billion in 2005-06. This will allow for improvements to access and quality of care while plans for innovations in health are being developed and finalized. For the following two years, spending is budgeted to increase by 4% each year.

Health Authorities Operating Grants. In 2005-06, health authorities' base operating grants will increase by $572 million, or 11.3%, to over $5.6 billion. Further increases of 6% are planned in 2006-07 and 2007-08, bringing operating grants to over $6.3 billion in 2007-08.

Increased funding will be used for services such as heart surgeries, hip replacements, home care, renal dialysis and cancer treatment. In *Budget 2005* some initiatives are receiving particular emphasis. $25 million will be provided in each of the next three years for the Mental Health Innovation Fund. $10 million will be provided to increase the number of hours of nursing care in long-term facilities. Funding for the Alberta Cancer Board will increase 25% to nearly $240 million.

Physician Services. The budget for physician services will increase by $173 million to over $1.7 billion in 2005-06. Among the budgeted increases for 2005-06 are:

- $30 million for 115 additional physicians,
- nearly $60 million for primary care initiatives, and
- $10 million for compensation arrangements with some academic physician groups to recognize their multiple roles in teaching, research and clinical service.

The government, the Alberta Medical Association and the health authorities will be negotiating a physician compensation agreement to take effect April 1, 2006.

Ground Ambulance Services. The provincial government will proceed with two special pilot projects (Peace Country and Palliser regions) to test the transfer of governance and funding responsibility for ground ambulance services from municipalities to health regions. The results of these pilot projects will help determine the future transfer of ground ambulance services to regional health authorities. In 2005-06, $55 million will be provided to municipalities to help offset the costs incurred as a result of the government suspending the planned April 1, 2005 transfer of ground ambulance services.

Non-Group Health Benefits. In 2005-06, funding for non-group health benefits will increase by $72 million, or 13.0%, to $630 million. The increase is largely for the higher cost of drug benefits provided to seniors.

Alberta Alcohol and Drug Abuse Commission. In 2005-06, funding for the Commission will increase by $8 million, or 12.2%, to $74 million. Over $4 million of the increase will go to new residential detoxification and treatment services for youth.

$1.6 billion for health capital projects over the next three years.

HEALTH CAPITAL PLAN

Over the next three years, the government will support $1.6 billion in capital projects and information technology systems through the Ministry of Health and Wellness and the Ministry of Infrastructure and Transportation. This includes funding for:

- Projects currently under construction such as the Alberta Heart Institute in Edmonton and the Alberta Children's Hospital in Calgary.
- The start of construction of the Calgary South Hospital and the Health Sciences Ambulatory Learning Centre in Edmonton. Each project is expected to cost in excess of $500 million when completed.
- $356 million to support the development of information systems, including the electronic health record, and for medical equipment.

Ministry of Health and Wellness[a]
(millions of dollars)

	2004-05 Forecast	2005-06 Estimate	2006-07 Target	2007-08 Target
Health authorities - base operating grants	5,057	5,629	5,969	6,331
Physician and other services[b]	3,213	3,348	3,364	3,374
Total Program Expense	**8,270**	**8,977**	**9,333**	**9,705**
Annual increase		707	356	372
Percentage increase		8.6	4.0	4.0

[a] Does not include capital support from the Ministry of Infrastructure and Transportation or capital investment of the Ministry of Health and Wellness.

[b] In 2004-05, includes $292 million in one-time grants for equipment and health authority deficits. In 2005-06, includes $50 million in one-time grants for medical equipment.

HELPING ALBERTANS

Funding for social service programs to increase by 8.3% in 2005-06.

In 2005-06, funding for social service programs will increase by $205 million, or 8.3%, reaching $2.7 billion. This increase will provide for increased benefits for seniors, enhanced AISH benefits and increases in other programs.

SENIORS

- Effective July 1, 2004, the Alberta Seniors Benefit was enhanced, helping an additional 17,000 lower income seniors and providing increased monthly benefits to existing recipients. The 2005-06 cost of these changes is $50 million.
- Effective October 1, 2004, all seniors were exempted from paying health care insurance premiums. Approximately 170,000 seniors will save $90 million per year as a result of this policy change.

Enhanced dental and optical assistance for seniors.

- Effective April 1, 2005, an additional $42 million per year will be provided to enhance dental and optical assistance. Coverage for basic dental services and prescription eyeglasses will be provided to seniors whose incomes are below $20,000 ($40,000 for a senior couple). Partial coverage will be provided on incomes up to $30,000 ($60,000 for a senior couple). It is expected that about half of Alberta seniors will get full coverage and another quarter will get partial benefits.
- $10 million is budgeted in 2005-06, rising to $24 million by 2007-08, to protect senior homeowners from increases in school property taxes as long as they live in the same house.
- $50 million will be provided over the next two years for the Rural Affordable Supportive Living program to support the development of an additional 750 supportive living units throughout rural Alberta.
- $6 million increase is budgeted for seniors lodges, bringing the 2005-06 budget to nearly $22 million.

ASSURED INCOME FOR THE SEVERELY HANDICAPPED (AISH)

AISH program spending will increase by 20% in 2005-06.

- In 2005-06, AISH program funding will increase by $80 million, or nearly 20%, to $488 million.
- This provides for an increase in monthly income benefits, other program enhancements and higher caseloads and health benefit costs.
- By 2007-08, program funding will reach $606 million, a three-year increase of $198 million, or 48.4%.

CHILDREN'S SERVICES

- In 2005-06, Children's Services program expense will be $799 million, an increase of $32 million, or 4.2%. The Ministry's spending will increase by nearly $85 million, or 11%, over the three years.
- Implementation of the *Child, Youth and Family Enhancement Act* and *Family Support for Children with Disabilities Act* will continue. The additional funding over the three years will be directed to children with disabilities, child intervention services, child care services, improving

community-based protection and prevention services, and supports for children and family members who are victims of family violence or bullying.

- As negotiations have not yet been completed, *Budget 2005* does not include any new or expanded services related to the new federal initiative on early learning and child care. Alberta will continue to participate in negotiations with the federal government and the other provinces in the hope of reaching a national agreement on early learning and child care that will meet the needs of Albertans.

OTHER SUPPORT PROGRAMS

Assistance to Persons with Developmental Disabilities. Funding is budgeted to increase by 4.5% to $489 million in 2005-06.

$489 million for Assistance to Persons with Developmental Disabilities in 2005-06.

Housing Assistance. In 2005-06, $23 million will be provided for transitional housing and homeless support initiatives, an increase of $6 million. There will be a $17 million increase for the operation of family and special purpose housing and $25 million for the development of affordable housing under the Canada/Alberta Affordable Housing Agreement.

Health Benefits. Programs providing health benefits for children in low income families and eligible adults will increase by $2.8 million, or 9.5%, in 2005-06.

Social Services
(millions of dollars)

	2004-05 Forecast	2005-06 Estimate	2006-07 Target	2007-08 Target
Seniors programs	271	337	347	354
Children's Services	767	799	827	851
Assured Income for the Severely Handicapped	408	488	571	606
Assistance to Persons with Developmental Disabilities	468	489	499	499
Other programs and delivery costs	565	571	576	579
Total Social Services	2,479	2,684	2,820	2,889
Annual increase		205	136	69
Percentage increase		8.3	5.1	2.4

POLICING AND JUSTICE SYSTEM

Nearly 200 police officers will be added in 2005-06.

Funding for the Ministry of Solicitor General and the Ministry of Justice will increase by $66 million, or 10.1% in 2005-06, and by $126 million, or almost 20% over the three years. It is expected this increase will allow the addition of nearly 200 police officers to Alberta communities in 2005-06.

Provincial Policing. Funding will increase by $21 million, or 16%, to $153 million in 2005-06. The increase will be used to provide for over 100 additional RCMP officers under the Provincial Policing Services Agreement, and add up to 60 new police officers (municipal police services and RCMP) to fight organized crime.

Courtroom Security and Prisoner Transfer Programs. $9 million will be provided over the next three years to expand the Solicitor General's courtroom security and prisoner transfer programs to smaller centres. These functions are being taken over from the RCMP and, once the transfers are complete, 30 RCMP officers will become available for front-line policing duties. Over $22 million will be provided over the next three years to enhance courthouse perimeter security, and to expand video conferencing services throughout Alberta.

Funding to municipalities for policing will increase by 16.7%.

Municipal Policing. A new model for funding municipal policing was implemented last year, which included a new policing grant of $16 per capita to municipalities required to pay for policing. In 2005-06, this model will be enhanced for municipalities with populations under 20,000. Policing assistance to municipalities will be $43 million in 2005-06, a $6 million, or 16.7% increase.

Correctional Services. Funding will increase by 6.7% in 2005-06 to $146 million, to increase the number of correctional officers and staff, improve safety equipment for correctional officers and better manage offenders serving weekend sentences.

Implementation of the *Family Law Act* and the *Child, Youth and Family Enhancement Act*. $12 million over three years will be provided for a one-window system to assist families accessing the family court system and to allow for improved access to the courts by reducing waiting times and increasing the availability of mediation and dispute resolution services.

10.1% increase for policing and justice system in 2005-06.

Policing and Justice System
(millions of dollars)

	2004-05 Forecast	2005-06 Estimate	2006-07 Target	2007-08 Target
Ministry of Solicitor General	359	405	431	444
Ministry of Justice	294	314	327	335
Total	653	719	758	779
Annual increase		66	39	21
Percentage increase		10.1	5.4	2.8

STRENGTHENING THE ALBERTA ADVANTAGE

Over the last six years, Alberta has made significant reductions to personal and business taxes. Albertans and Alberta businesses pay, by far, the lowest overall taxes in Canada. If Alberta had the same tax system as any other province, Albertans and businesses would pay at least $6.9 billion more in tax each year or the equivalent of more than $2,000 per person. In 2005, selective tax reductions will be made.

The Alberta Family Employment Tax Credit will be enhanced.

Alberta Family Employment Tax Credit. This tax credit provides tax relief to low and middle income working families. The credit will be enhanced starting on July 1, 2005, and will be fully indexed to inflation starting July 1, 2006. The full-year benefit of these changes will be $25 million, growing to $32 million by 2007-08.

Indexing of the Personal Income Tax System. Alberta's personal income tax system continues to be indexed against inflation, saving Albertans about $35 million in 2005.

Hotel Room Tax/Tourism Levy. The hotel room tax is being reduced from 5% to 4% and converted into a tourism levy, effective April 1, 2005.

School property tax mill rates will be reduced by about 5% in 2005.

School Property Taxes. In 2005, school property tax mill rates will be reduced by about 5%. This reduction helps offset increases in market values due to inflation. In each year since the province took over the responsibility for the school property tax in 1994, mill rates have either been reduced or frozen.

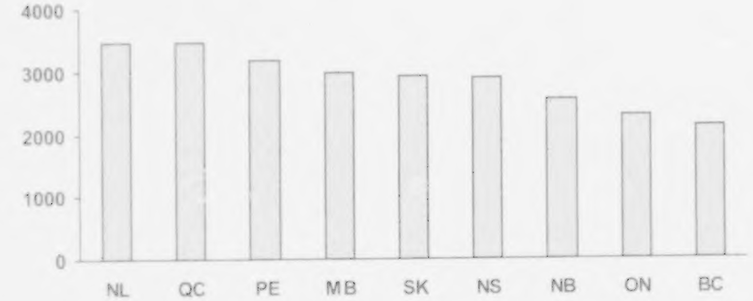
Seniors. Effective October 1, 2004, all seniors were exempted from paying health care insurance premiums, saving seniors an additional $90 million per year. Effective January 1, 2005, seniors whose school property taxes increase over their 2004 level will qualify for grants to cover the increase.

Over the last four years, business taxes have been cut every year. The general corporate income tax rate has been reduced from 15.5% to 11.5%. The small business rate has been cut in half from 6% to 3%, and the small business threshold has been doubled from $200,000 to $400,000. The government has decided not to reduce the general corporate tax rate in 2005-06. The long-term goal of reducing this rate to 8% remains.

For further details on Alberta's taxes see the Alberta Tax Advantage chapter.

Alberta Tax Advantage

(dollars per capita)



This graph shows, on a per capita basis, the total additional taxes, health care insurance premiums and liquor markups that individuals and businesses would pay if Alberta had the same tax systems as other provinces.

AGRICULTURE

The last five years have been difficult for Alberta's farmers and ranchers, with consecutive years of drought and the closure of the U.S. border to live cattle imports. $3.3 billion in emergency assistance, including about $1 billion from the federal government, has been provided over this period.

In 2004-05, the government developed a six-point BSE recovery strategy. Several components of this strategy will carry over into 2005-06 and future years, including:

- Activities of the Beef Market Development and Retention Fund, which are aimed at helping the beef industry find more export markets and increasing sales in existing ones.
- Prion research funding, which will investigate the causes and possible treatments for prion diseases.
- Monitoring and surveillance programs, which include annual funding of $15 million and the operation of the new Level III Biocontainment Laboratory.
- Development of alternative uses and disposal techniques for specified risk materials.

$133 million provided for extension of cattle set-aside program.

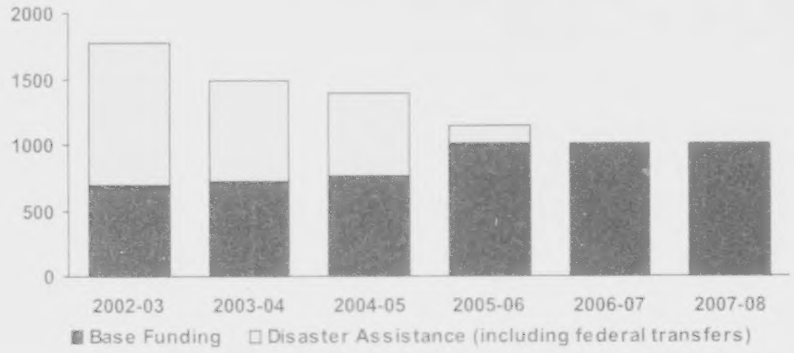
Because of the March 2005 U.S. lower court ruling preventing the U.S. border from opening to live cattle under 30 months, the cattle set-aside program has been extended into 2005-06 at an estimated cost of $133 million.

Agriculture, Food and Rural Development's base budget will increase in 2005-06. Crop insurance expense was down in 2004-05 due to a good crop year. These costs are expected to return to more normal levels in 2005-06. The costs of the Canadian Agricultural Income Stabilization program are expected to increase by $114 million in 2005-06.

Additional funding has also been provided for the Agricultural Service Boards, the Irrigation Rehabilitation program and agriculture research associations. Work will also continue on implementing the new Rural Development Strategy.

Agriculture, Food and Rural Development's 2005-06 budget is nearly $1.2 billion.

Agriculture, Food and Rural Development – Program Expense
(millions of dollars)



TOURISM AND THE ALBERTA CENTENNIAL

Alberta is a world-class tourism destination. *Budget 2005* will provide increased funding for tourism, improvements to historic and cultural sites, parks, community infrastructure, and celebrations of the centennial.

Tourism funding will increase by nearly 75% in 2005-06.

Tourism. Commencing on April 1, 2005, significant changes are being made to how the government supports Alberta's tourism industry. The 5% hotel room tax is being converted to a 4% tourism levy. This will improve the competitiveness of Alberta's tourism industry by saving guests in Alberta accommodations over $11 million annually. Also, the annual level of provincial support for tourism marketing and development will now be determined by the amount of revenue the hotel room tax/tourism levy raised in previous years.

In 2005-06, based on this new policy, tourism funding will increase by nearly 75%, from $24 million to $42 million. By 2007-08, tourism funding is expected to reach $50 million per year, more than double the level in 2004-05. The more successful Alberta's tourism industry is, the more funding that will become available. This new investment is expected to increase the number of visitors to Alberta, increase tourism employment, and assist in identifying and developing attractions that will lead more people to explore Alberta.

The government is investing $323 million in centennial capital projects.

Centennial. To celebrate Alberta's centennial, the government is investing $323 million for construction and upgrading of community, historic and cultural facilities. Of this funding, $177 million has been provided over the last five years and a further $146 million is committed over the next three years. In addition, in 2005-06, $10 million will be provided for celebratory, recognition and awareness activities.

Parks. *Budget 2005* provides increased operating funding and capital investment to enhance Alberta's parks system. Over the next three years, an additional $48 million will be provided for parks infrastructure and facilities. An additional $4 million will be provided in 2005-06 for provincial park programs and facility maintenance. *Budget 2005* also provides $13 million for the completion of the renovations and upgrades to the Canmore Nordic Centre in preparation for the 2005 World Cup of Cross-Country Skiing.

STRENGTHENING ALBERTA'S INNOVATIVE CAPACITY

Alberta has developed a research infrastructure that is helping the province to become a world leader in new technologies. *Budget 2005* enhances this position.

Endowments will provide $250 million for medical, and science and engineering research over the next three years.

Research Endowment Funds. The government has two major research endowment funds, whose total assets are forecast to reach nearly $1.9 billion by 2008. Over the three years, the two endowments are expected to support approximately $250 million in medical, and science and engineering research in Alberta.

A five-year, $200 million Innovative Energy Technologies program.

Alberta Energy Innovation Strategy. A five-year, $200 million Innovative Energy Technologies program has been established to encourage the development of innovative technologies to enhance oil and gas recovery. The program is also designed to help find a technical solution to gas over bitumen issues. Assistance will start in 2005-06 and will be provided through royalty adjustments up to a maximum of 30% of approved project costs.

Energy and Climate Change Research. Over $50 million in research funding will be provided over three years for oil sands upgrading, clean coal technology, water management research, enhanced conventional recovery, alternative energy sources and greenhouse gas emission reduction through carbon dioxide management.

Information and Communications Technology (ICT). $42 million will be provided over three years for ICT research. This will support iCORE and the new Alberta ICT Institute in the development of a globally competitive knowledge-based ICT sector in Alberta.

Over $150 million for other research and innovation programs over the next three years.

Innovation Programs. The Innovation and Service Excellence program and Emerging Opportunities program will provide $64 million over three years, to support innovation and research in both the public and private sectors.

SuperNet. Alberta's broadband SuperNet will be completed in 2005 and link approximately 4,200 government, health, library and education facilities in 429 communities. SuperNet will enable private local service providers to buy bandwidth and deliver high-speed commercial services to retail customers in rural communities.

OTHER INITIATIVES

First Nations Economic Participation. A five-year First Nations Economic Participation initiative will start in 2005-06. Over the next three years, $17 million will be provided for the development of community capacity, strategic partnerships with the private sector, and business information and advisory services to First Nations.

Employment Training. Programs providing training to help individuals enter the labour market and maintain employment will increase by $13 million, or 11.3%, in 2005-06.

Water Management. $78 million will be provided over three years for upgrading government-owned water management infrastructure.

Wildfires Management. $52 million will be provided over three years to upgrade aircraft and air tanker bases used for fighting wildfires.

Fisheries Management. $9 million will be provided over three years to revitalize Alberta's fisheries management programs.

Mountain Pine Beetles. $8 million will be provided over three years to address mountain pine beetle infestation.

2005-08 CAPITAL PLAN

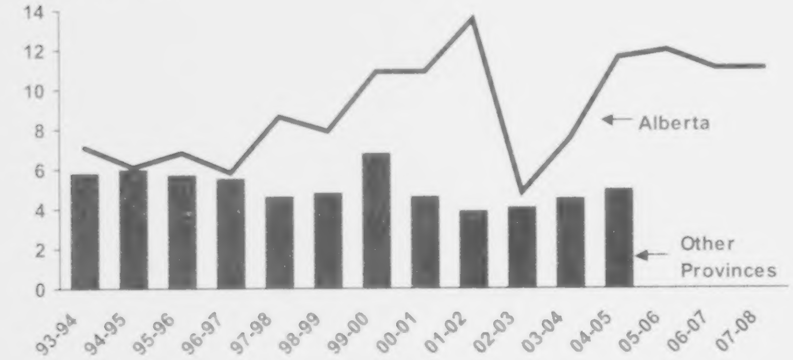
The 2005-08 Capital Plan commits the government to supporting the construction, acquisition, upgrading and rehabilitation of $9.2 billion of infrastructure, an average of over $3 billion a year.

This degree of support is unmatched in the rest of Canada. Alberta's capital spending as a percentage of total spending will average over 11% a year, more than double the average rate of capital spending in other provinces.

Alberta's capital spending is double the level of other provinces.

Interprovincial Comparison of Capital Expenditure

(% of total spending)



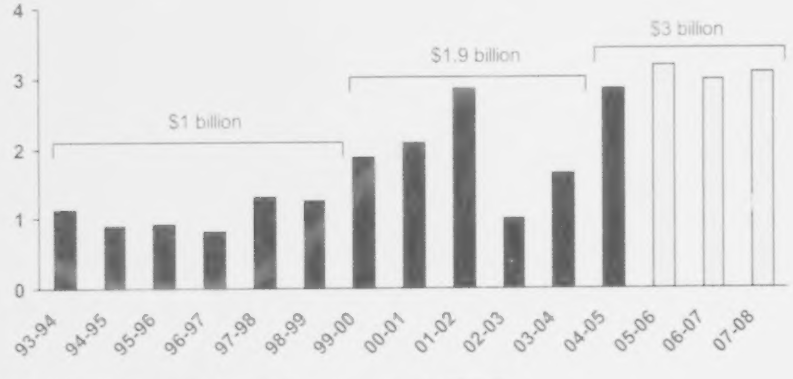
Source: Dominion Bond Rating Service Limited. The Canadian Federal and Provincial Governments - 2004 Overview. September 2004. Alberta data for 2003-04 to 2007-08 has been updated by Alberta Finance to reflect the latest Capital Plan information.

The Alberta government's support for capital spending has dramatically increased over the last few years. During most of the 1990s, capital spending averaged about $1 billion a year. This will increase to an average of over $3 billion a year.

Capital projects will average over $3 billion a year.

Provincial Support for Capital Projects

(billions of dollars)



Note: 2001-02 included pre-funding of capital spending for 2002-03.

The Capital Plan includes $3.1 billion for municipal infrastructure support, $2.7 billion for health, school and post-secondary facilities, $2 billion for the provincial highway network, and $1.4 billion for other capital.

Support for municipal infrastructure accounts for over one-third of the Capital Plan.

Capital Plan
(millions of dollars)

	2005-06 Estimate	2006-07 Target	2007-08 Target	3-year Total
Municipal infrastructure support	1,021	1,029	1,103	3,153
Provincial highway network	684	636	650	1,970
Health facilities and equipment	561	468	567	1,596
Schools	201	251	192	644
Post-secondary facilities	111	147	211	469
Community facilities and centennial projects	176	87	117	380
Water and wastewater management	58	57	56	171
Government facilities, housing and equipment	354	307	175	836
Total Capital Plan	**3,166**	**2,982**	**3,071**	**9,219**

Support for municipal infrastructure will account for over one-third of the 2005-08 Capital Plan. This includes:

New five-year, $3 billion Municipal Infrastructure Program.

- $600 million a year, for the next five years, to address the municipal infrastructure requirements through the Municipal Infrastructure Program.
- An average of nearly $320 million a year in direct transportation grants to municipalities. Edmonton and Calgary grants are based on the equivalent of five cents for each litre of fuel delivered in those cities; other urban centres receive $60 per capita; and formula grants are provided for rural municipalities.
- An average of $134 million a year for water and wastewater grants, funding under federal New Deal and Canada/Alberta infrastructure programs, and other municipal infrastructure support.

FUNDING SOURCES OF THE 2005-08 CAPITAL PLAN

The 2005-08 Capital Plan will be funded from three sources:

- $3.3 billion from current-year revenue.
- $4.6 billion, or 50%, from the Capital Account.
- $1.3 billion in capital projects through alternative financing, including public-private partnerships (P3s).

Capital Plan Funding Sources
(millions of dollars)

	2005-06 Estimate	2006-07 Target	2007-08 Target	3-year Total
Current-year revenue	1,348	916	998	3,262
Capital Account	1,709	1,753	1,157	4,619
Alternative financing				
Local authorities' capital	26	10	580	616
Government-owned capital	83	303	336	722
Total Capital Plan Funding	**3,166**	**2,982**	**3,071**	**9,219**

The Capital Account will be used to fund $4.6 billion in capital projects over the next three years.

Capital Account. When the Sustainability Fund reaches $2.5 billion, assets can be reallocated to the Capital Account. These dollars can be used to pay for capital projects in that year or carried forward to pay for capital projects in following years. Over the last two years, the Capital Account has been used to fund nearly $2.3 billion in capital projects. Over the next three years, the Capital Account is expected to fund an additional $4.6 billion in capital projects. This represents one half of the 2005-08 Capital Plan.

Capital Account
(millions of dollars)

	2004-05 Forecast	2005-06 Estimate	2006-07 Target	2007-08 Target
Assets at start of year	1,180	674	2,228	1,012
Allocations from Sustainability Fund	1,136	3,263	537	295
Use of Capital Account:				
Capital grants to local authorities	(1,209)	(1,274)	(1,629)	(1,157)
Government-owned capital	(433)	(435)	(124)	—
Assets at end of year	**674**	**2,228**	**1,012**	**150**

For further details on capital funding see the 2005-08 Capital Plan chapter.

Alternative Financing. The Capital Plan assumes $1.3 billion in capital projects will be funded by alternative financing:

- $722 million in government-owned capital, including $347 million for the Southeast Edmonton Ring Road.
- $616 million of local authorities' capital projects, primarily in 2007-08.

Alternative financing refers to borrowing for capital projects, including public-private partnerships. During 2004-05, the province entered into a public-private partnership for the construction of the Edmonton Southeast Ring Road. A private consortium will design, finance, construct, operate and maintain the asset for 30 years. Construction of the road will commence in the spring of 2005 and it is planned to be opened in October 2007.

Economic and Revenue Outlook

More information on the economic forecast is provided in the Economic Outlook chapter.

In 2004, Alberta's economy led all provinces with real economic growth estimated at 4.4%. Economic gains were widespread with the energy, manufacturing and retail sectors all experiencing strong growth. Alberta also had the highest personal income growth and the lowest unemployment rate in Canada. 40,000 jobs were created.

Alberta's real GDP growth is expected to moderate in 2005 to 3.7%. Over the medium term, based on assumed oil prices in the low US$30s, economic growth is expected to average about 3.1%. The province's unemployment rate is expected to average 4.3% from 2005 through 2008.

Total revenue is estimated at $27.3 billion in 2005-06.

REVENUE OUTLOOK

Total revenue reached $28.8 billion in 2004-05 as a result of high oil and natural gas prices. Over the next three years, energy prices are assumed to fall back from their current peaks resulting in total revenue declining by $1.4 billion, or 4.9%, in 2005-06 and a further 3% decline in 2006-07. In 2007-08, revenue will increase marginally as the growth in tax and other revenue exceeds the decline in resource revenue. In this period, the decline in resource revenue masks fairly strong growth in income tax revenue.

The variability and uncertainty of energy prices make it difficult to accurately forecast government revenue. For this reason, the government has legislated a fixed amount of non-renewable resource revenue that can be used for budget purposes. This provides a more predictable level of revenue on which to base program spending decisions.

Amendments to the *Fiscal Responsibility Act* will limit the amount of non-renewable resource revenue that can be used for budget purposes to $4.75 billion in *Budget 2005*. However, the Act does allow budget revenue to be supplemented from the Capital Account and the Sustainability Fund.

Over the next three years, the Capital Account is budgeted to provide an average of $1.35 billion per year for local authority capital projects. The Sustainability Fund will also provide $285 million in each of the three years for natural gas rebates and $133 million for disaster assistance in 2005-06.

Revenue[a]
(millions of dollars)

	2004-05 Forecast	2005-06 Estimate	2006-07 Target	2007-08 Target
Tax revenue	10,133	10,676	11,110	11,608
Non-renewable resource revenue	9,628	7,680	6,467	5,983
Transfers from Government of Canada	3,150	3,501	3,392	3,598
Investment income	1,731	1,376	1,381	1,369
Other revenue	4,111	4,113	4,187	4,332
Total Revenue	**28,753**	**27,346**	**26,537**	**26,890**

[a] In 2005-08, legislation limits the amount of non-renewable resource revenue that can be used for budget purposes to $4.75 billion. Revenue available for budget purposes will be supplemented by an average of about $1.6 billion a year from transfers from the Capital Account and Sustainability Fund.

TAX REVENUE

Total tax revenue is estimated at $10.7 billion in 2005-06, an increase of $543 million, or 5.3%, from 2004-05. The increase is almost entirely due to growth in personal income tax revenue. In the following two years, tax revenue is forecast to grow by an average of 4.3% a year.

Strong growth in personal income tax revenue.

Personal income tax revenue is forecast to increase by 11.8% in 2005-06. The increase reflects two factors: strong growth in personal incomes, and a negative $243 million adjustment in 2004-05 due to an overestimation of previous years' tax revenue. The base increase in personal income tax revenue is about 6.3% in 2005-06 and around 6% in each of the following two years.

In 2004-05, corporate income tax revenue is forecast to have increased by nearly 40% due to high energy prices and healthy corporate profits. In 2005-06, corporate income tax revenue is estimated to decline by 3.2% because of expected lower energy prices and a return to more "normal" corporate profits. Over the following two years, corporate income tax revenue is forecast to increase by an average of about 3.9% a year.

School property tax revenue will increase by $40 million, or 3.2% in 2005-06. In the following two years, it is forecast to increase by 3.1% and 2.5%. These increases reflect the expected growth in assessments through additional development or expansion. In 2005, the provincial uniform school property tax mill rates will be reduced by about 5%, to $5.17 per $1,000 of equalized assessment for residential and farm property and to $7.59 per $1,000 of equalized assessment for commercial property. The mill rate reductions should offset, to a large degree, the average increase in property values due to inflation. Mill rates have been frozen or reduced every year since 1994.

Revenue from other taxes is expected to be essentially flat, at about $1.9 billion for the next three years.

Tax Revenue
(millions of dollars)

	2004-05 Forecast	2005-06 Estimate	2006-07 Target	2007-08 Target
Personal income tax	4,649	5,199	5,515	5,845
Corporate income tax	2,353	2,278	2,364	2,458
School property tax	1,233	1,273	1,312	1,345
Other taxes	1,898	1,926	1,919	1,960
Total Tax Revenue	**10,133**	**10,676**	**11,110**	**11,608**

NON-RENEWABLE RESOURCE REVENUE

In 2004-05, non-renewable resource revenue is forecast to reach $9.6 billion, the second highest level in Alberta's history. Over the next three years, energy prices and non-renewable resource revenue are assumed to decline.

$7.7 billion of non-renewable resource revenue in 2005-06.

In 2005-06, non-renewable resource revenue is estimated at $7.7 billion. This is nearly $2 billion, or 20%, lower than in 2004-05. The decrease reflects expectations that energy prices will start to fall back from the record levels reached in 2004-05, the Canadian dollar will continue to appreciate relative to the U.S. dollar, and revenue from land sales will decline.

Fiscal Year Assumptions

	2004-05 Actual	2005-06 Forecast	2006-07 Forecast	2007-08 Forecast
Oil Price (WTI US$/bbl)	45.03	42.00	32.00	31.00
Natural Gas Price (Cdn$/GJ)	6.05	5.60	5.40	5.20
Exchange Rate (US¢/Cdn$)	78.4	83.5	85.0	85.0

Oil prices in 2005-06 are assumed to average US$42.00 per barrel, US$3.03 lower than the 2004-05 average of $US45.03 in 2004-05. Natural gas prices are assumed to average Cdn$5.60 per gigajoule (GJ), 45 cents lower than the 2004-05 average of $6.05. Over the following two years, the budget assumes oil prices will fall to the low US$30 range and natural gas prices will average about Cdn$5.30 per GJ.

For 2005-06, the budget energy price assumptions are close to the average of what other analysts are forecasting. However, within this average there is a fairly wide range of opinions.

Budget energy price assumptions for 2005-06 are close to private sector average.

Based on the forecasts of organizations reviewed, for 2005-06, there is a US$14 range in oil prices, between a high of nearly US$52 to a low of about US$38. Similarly, there is Cdn$2 per GJ range on natural gas prices. This suggests non-renewable resource revenue could be between $6.5 billion and $10 billion in 2005-06.

Energy Price Forecasts, 2005-06

	Private Forecasters			***Budget***
	High	Low	Average	***2005***
Oil Price (WTI US$/bbl)	51.69	37.88	43.86	**42.00**
Natural Gas Price (Cdn$/GJ)	7.15	5.03	5.97	**5.60**

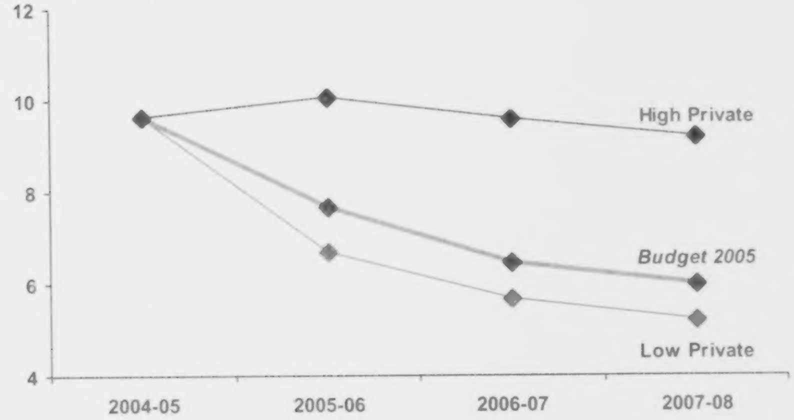
Budget assumes more prudent energy prices in 2006-07 and 2007-08.

For 2006-07 and 2007-08, the budget energy price assumptions tend to be more prudent than the average of other forecasting organizations. Other forecasters, on average, expect oil prices to remain in the US$40 range in 2006-07 and then drop into the low US$30 range in 2007-08. For natural gas prices, other forecasting organizations, on average, expect prices will be about 50 cents higher than the prices assumed in *Budget 2005*.

Based on private forecasts, 2005-06 revenue could be between $6.5 billion and $10 billion.

Energy Revenue Scenarios[a]

(billions of dollars)



[a] Non-renewable resource revenue scenarios are based on a survey of oil and natural gas price projections from leading forecasting organizations. Not all of these forecasts are publicly released.

During February and March of 2005, oil prices surged, increasing by about $10 from $US46 to $US56. Similarly, over February and March, the futures market outlook for natural gas prices increased by about Cdn$1.00 per GJ. It is uncertain how long this latest spike in prices will last.

Non-Renewable Resource Revenue

(millions of dollars)

	2004-05 Forecast	2005-06 Estimate	2006-07 Target	2007-08 Target
Natural gas and by-products royalty	6,491	5,418	4,581	4,021
Crude oil royalty	1,203	923	518	439
Synthetic crude oil and bitumen royalty	674	393	560	710
Coal royalty	10	8	9	9
Bonuses and sales of Crown leases	1,200	886	744	746
Rentals and fees	157	145	142	142
Royalty tax credit	(107)	(93)	(87)	(84)
Total Non-Renewable Resource Revenue	**9,628**	**7,680**	**6,467**	**5,983**

TRANSFERS FROM THE GOVERNMENT OF CANADA

Federal transfers will be $3.5 billion in 2005-06.

Transfers from the Government of Canada are estimated at $3.5 billion in 2005-06. This is an increase of 11.1% from 2004-05 and is primarily related to higher health transfers. In the following two years, federal transfers average about $3.5 billion, essentially unchanged from the 2005-06 level.

Federal transfers pay for less than 14% of Alberta's total program spending. Health transfers are the major component in federal transfers, accounting for $2 billion of the $3.5 billion in transfers. The health transfers include the funding from the September 2004 Health Accord.

Federal transfers to the province for agriculture/BSE assistance are expected to decline in 2005-06. The budget does assume the federal government will contribute approximately $34 million in 2005-06 for the extension of the cattle set-aside program this year. Federal agriculture transfers to the province do not include the March 30, 2005 announcement by the federal government of an $1 billion aid package for the agriculture sector, as these payments will flow directly to producers.

Negotiations are still continuing with the federal government on a national agreement on early learning and child care. The revenue forecast does not include an estimate of federal transfers that may be received if an agreement is reached.

Transfers from Government of Canada
(millions of dollars)

	2004-05 Forecast	2005-06 Estimate	2006-07 Target	2007-08 Target
Health transfers	1,678	2,048	1,959	2,086
Canada Social Transfer	606	690	726	764
Agriculture support programs	494	355	312	312
Other transfers	372	408	395	436
Total Federal Transfers	**3,150**	**3,501**	**3,392**	**3,598**

INVESTMENT INCOME

Investment income is estimated at $1.4 billion in 2005-06.

Investment income is estimated to be $1.4 billion in 2005-06, a decrease of $355 million, or nearly 21%, from 2004-05. Investment income is forecast to be essentially unchanged over the following two years.

The decline in 2005-06 investment income is primarily due to an expected lower rate of return on Heritage Fund and endowment fund investments. In 2003-04 and 2004-05, the Heritage Fund and other endowment funds realized above normal rates of return due to the rebound in equity markets.

In 2005-06, and the following two years, it is assumed that the Heritage Fund and endowment funds will have a realized rate of return of between 4.0% and 6.0%. This is slightly lower than the expected longer-term average of about 6.5% due to expected increases in interest rates. The increase in interest rates will negatively affect fixed income portfolios in the near term.

The investment income of Alberta Capital Finance Authority is expected to continue to decline over the three years due to lower interest rates on new loans and expected lower lending activity.

Other investment income is expected to increase in 2005-06, due to higher balances in the Debt Retirement Account and the Capital Account. In the following two years, as the asset balance in the Debt Retirement Account is drawn down to pay accumulated debt, and the assets in the Capital Account are used to pay for capital projects, investment income will decline.

Investment Income

(millions of dollars)

	2004-05 Forecast	2005-06 Estimate	2006-07 Target	2007-08 Target
Alberta Heritage Savings Trust Fund	1,014	669	682	700
Alberta Capital Finance Authority	311	287	262	237
Endowment funds	111	70	96	109
Other investment income	295	350	341	323
Total Investment Income	1,731	1,376	1,381	1,369

REVENUE FROM OTHER SOURCES

Revenue from other sources is estimated at $4.1 billion in 2005-06, essentially unchanged from 2004-05. This partly reflects a relatively flat gaming and lottery revenue estimate for 2005-06. It is expected that the introduction of enhanced municipal smoking bylaws will more than offset the gaming revenue growth from casino expansions.

Over the following two years, revenue from other sources is expected to increase by an average of about 2.6% per year.

Revenue from Other Sources

(millions of dollars)

	2004-05 Forecast	2005-06 Estimate	2006-07 Target	2007-08 Target
Net income from commercial operations	1,942	1,929	2,017	2,086
Premiums, fees and licences	1,746	1,747	1,747	1,825
Other	423	437	423	421
Total Revenue from Other Sources	4,111	4,113	4,187	4,332

RISKS

Economy

The economic forecast is based on continued growth in the world economy.

- The budget assumptions for Alberta's economic growth are similar to the forecasts of private organizations. Most forecasters expect that Alberta's economic growth will continue to be healthy.
- The budget economic forecast is based on continued growth in the world economy. If energy prices continue to increase above current levels, prospects for global economic growth could be negatively affected.

- The budget economic forecast also assumes the U.S. economy will continue to perform strongly. The U.S. budget and current account imbalances represent a continuing risk to this forecast, with the potential to reduce U.S. and global economic growth in the medium term.

Exchange Rate

Budget assumes exchange rate reaches 85 cents.

- The budget forecast assumes the Canadian dollar will appreciate relative to the U.S. dollar. The exchange rate assumption is slightly higher than the average of other forecasters.
- A lower exchange rate would increase government revenue, as oil and natural gas are primarily priced in U.S. dollars. A greater than expected appreciation of the Canadian dollar would reduce the province's resource revenue. It would also have a negative impact on export volumes and economic growth.

Energy Prices

- There is significant uncertainty over energy prices. In 2005-06, the energy price assumptions in the budget are close to the average of other forecasters. For the following two years, the budget energy price forecast is more prudent.
- Higher than forecast energy prices would increase the government's revenue and economic growth. Lower than forecast prices would reduce the resource revenue transfer to the Sustainability Fund.

Investment Income

- Alberta has significant financial assets that are invested in a variety of financial instruments. Changes in equity markets, interest rates, exchange rates and other factors affect the rate of return on these assets.

Emergency and Disaster Assistance

$2.5 billion in the Sustainability Fund to protect against emergencies/disasters.

- Agriculture and wildfires are the major unpredictable pressures. Agriculture risk management programs provide protection against adverse weather and other circumstances. Funding will be increased to upgrade aircraft and air tanker bases used for fighting wildfires.
- If additional disaster or emergency funding is required, it can be drawn from the $2.5 billion Sustainability Fund.

Sensitivities to Fiscal Year Assumptions, 2005-06[a]

(millions of dollars)

	Annual Change	Revenue	Spending	Net Change
Oil Price (WTI US$/bbl)	-$1.00	-99	—	-99
Natural Gas Price (Cdn$/GJ)	-10¢	-99	—	-99
Exchange Rate (US¢/Cdn$)	+1¢	-117	-2	-115
Interest Rates	+1%	-85	+5	-90

[a] Sensitivities are based on current assumptions of prices and rates and show the effect for a full 12 month period. Sensitivities can vary significantly at different price and rate levels. The energy price sensitivities do not include the potential impact of price changes on the revenue from land sales. The interest rate sensitivity has two components: an increase in cash interest income and a capital loss. When interest rates rise, bond prices go down, causing a capital loss.

FISCAL PLAN TABLES

Fiscal Summary[a]

(millions of dollars)

	2003-04 Actual	2004-05 Budget	2004-05 Forecast	2005-06 Estimate	2006-07 Target	2007-08 Target
Revenue	25,887	22,952	28,753	**27,346**	26,537	26,890
Expense						
Program	21,480	22,286	24,114	**25,535**	26,225	26,589
Debt servicing costs	271	363	325	**291**	250	252
Total Expense	21,751	22,649	24,439	**25,826**	26,475	26,841
Net Revenue	4,136	303	4,314	**1,520**	62	49
Transfer from Capital Account[b]	416	741	1,209	**1,274**	1,629	1,157
Net transfer from (to) Sustainability Fund	(4,552)	(784)	(5,523)	**(2,546)**	(1,432)	(948)
Contingency Allowance	-	260	-	**248**	259	258

[a] For fiscal policy purposes under the *Fiscal Responsibility Act* (pending legislative amendment). 2003-04 and 2004-05 numbers have been restated to be comparable with the 2005-06 presentation. Does not include the change in pension obligations, estimated to be $141 million in 2005-06, $134 million in 2006-07 and $138 million in 2007-08.

During the coming year, the government will continue to review new guidance issued by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants on whether universities, public colleges, technical institutes, regional health authorities and school boards need to be included in the government's reporting entity. Budget 2006 will provide an update on whether the reporting entity will be expanded to include these organizations and what the potential effects on the fiscal plan and consolidated financial statements would be.

[b] Includes only transfers for capital grants to local authorities.

Sustainability Fund

(millions of dollars)

	2003-04 Actual	2004-05 Budget	2004-05 Forecast	2005-06 Estimate	2006-07 Target	2007-08 Target
Assets at start of year	-	2,500	2,500	**3,498**	2,500	2,500
Non-renewable resource revenue transfer from general revenue	4,176	784	5,628	**2,930**	1,717	1,233
Other net transfers to Sustainability Fund	1,387	-	1,029	**34**	-	-
Transfers from the Sustainability Fund	(1,011)	-	(1,134)	**(418)**	(285)	(285)
Adjustments	(266)	568	341	**384**	(521)	(275)
Assets prior to reallocation	4,286	3,852	8,364	**6,428**	3,411	3,173
Reallocation to:						
Debt Retirement Account	(893)	(726)	(3,730)	**-**	-	-
Capital Account	(893)	(626)	(1,136)	**(3,263)**	(537)	(295)
Heritage Fund - inflation proofing	-	-	-	**(215)**	(224)	(228)
Heritage Fund - Advanced Education endowment	-	-	-	**(250)**	-	-
Medical Research Endowment Fund	-	-	-	**(200)**	(150)	(150)
Assets at End of Year	2,500	2,500	3,498	**2,500**	2,500	2,500

Accumulated Debt

(millions of dollars)

	2003-04 Actual	2004-05 Budget	2004-05 Forecast	2005-06 Estimate	2006-07 Target	2007-08 Target
Accumulated debt at start of year	6,746	4,971	4,971	**3,469**	2,220	2,125
Repayment of debt maturities	(1,775)	(1,489)	(1,502)	**(1,249)**	(95)	(257)
Accumulated debt at end of year	4,971	3,482	3,469	**2,220**	2,125	1,868
Less: Debt Retirement Account	1,241	478	3,469	**2,220**	2,125	1,868
Accumulated Debt less Debt Retirement Account	3,730	3,004	-	**-**	-	-

Balance Sheet Summary

(millions of dollars)

			At March 31		
	2004	2005	2006	2007	2008
	Actual	Forecast	Estimate	Target	Target
Financial Assets					
Heritage Fund external investments	11,267	11,273	**11,746**	11,979	12,217
Self-supporting lending organizations	5,597	5,588	**5,466**	5,309	5,191
Sustainability Fund	2,500	3,498	**2,500**	2,500	2,500
Endowment funds	1,622	1,643	**1,811**	1,952	2,094
Capital Account	1,180	674	**2,228**	1,012	150
Debt Retirement Account	1,241	3,469	**2,220**	2,125	1,868
Other financial assets	5,858	4,897	**4,775**	5,525	6,062
Total Financial Assets	29,265	31,042	**30,746**	30,402	30,082
Liabilities					
Accumulated debt	4,971	3,469	**2,220**	2,125	1,868
Pension obligations	5,059	5,223	**5,364**	5,498	5,636
Self-supporting lending organizations	4,556	4,461	**4,352**	4,174	4,036
Liabilities for government-owned capital [a]	-	9	**92**	395	729
Other liabilities	4,131	3,605	**3,582**	3,573	3,599
Total Liabilities	18,717	16,767	**15,610**	15,765	15,868
Net Financial Assets	10,548	14,275	**15,136**	14,637	14,214
Capital Assets	10,534	10,957	**11,475**	11,902	12,236
Net Assets	21,082	25,232	**26,611**	26,539	26,450
Adjustment for pension obligations	5,059	5,223	**5,364**	5,498	5,636
Net Assets for Fiscal Policy Purposes [b]	26,141	30,455	**31,975**	32,037	32,086

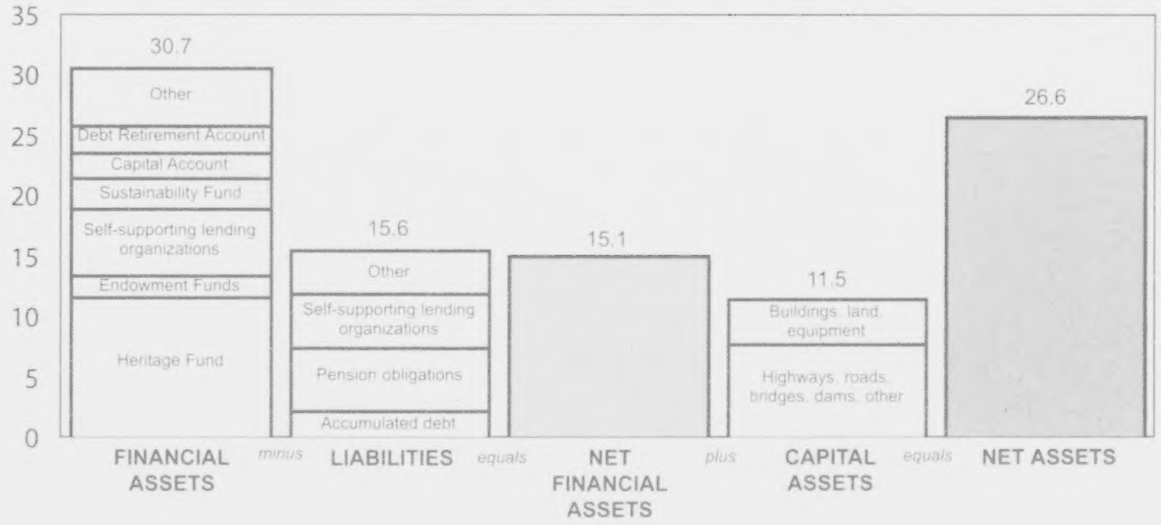
[a] 2008 is net of an assumed $2 million principal repayment.

[b] Under the *Fiscal Responsibility Act*, excludes pension obligations.

Estimate of Assets, Liabilities and Net Assets

at March 31, 2006

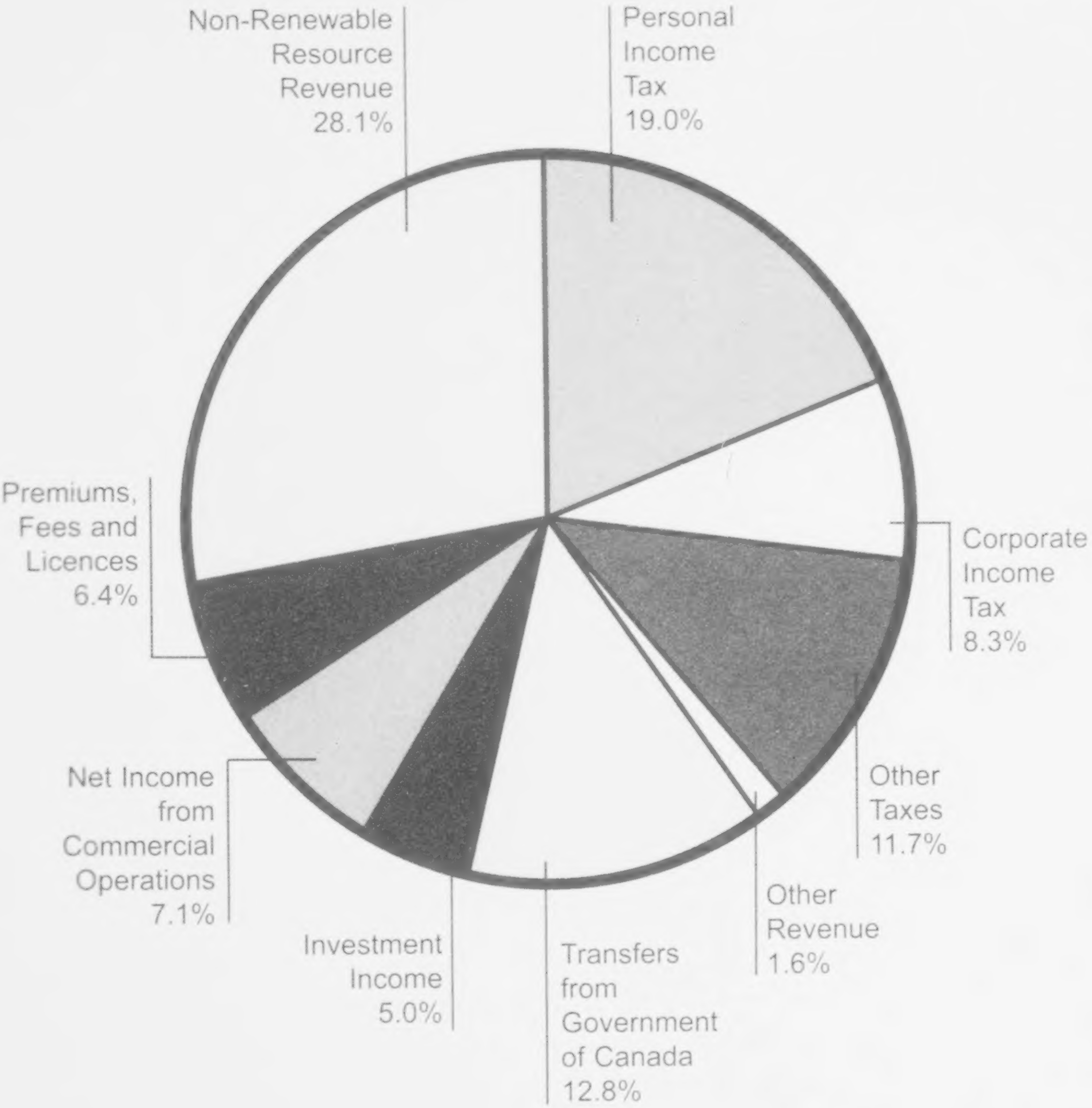
(billions of dollars)



Revenue

(millions of dollars)	2003-04 Actual	2004-05 Budget	2004-05 Forecast	2005-06 Estimate	2006-07 Target	2007-08 Target
Income Taxes						
Personal income tax	4,613	5,085	4,649	**5,199**	5,515	5,845
Corporate income tax	1,696	1,957	2,353	**2,278**	2,364	2,458
	6,309	7,042	7,002	**7,477**	7,879	8,303
Other Taxes						
School property tax	1,178	1,233	1,233	**1,273**	1,312	1,345
Tobacco tax	671	660	720	**735**	750	765
Fuel tax	620	607	635	**645**	655	670
Freehold mineral rights tax	288	204	294	**310**	266	265
Insurance taxes	206	165	190	**186**	196	207
Hotel room tax/Tourism levy	53	60	59	**50**	52	53
	3,016	2,929	3,131	**3,199**	3,231	3,305
Non-Renewable Resource Revenue						
Natural gas and by-products royalty	5,450	3,373	6,491	**5,418**	4,581	4,021
Crude oil royalty	981	558	1,203	**923**	518	439
Synthetic crude oil and bitumen royalty	197	100	674	**393**	560	710
Coal royalty	9	9	10	**8**	9	9
Bonuses and sales of Crown leases	967	694	1,200	**886**	744	746
Rentals and fees	154	145	157	**145**	142	142
Royalty tax credit	(82)	(95)	(107)	**(93)**	(87)	(84)
	7,676	4,784	9,628	**7,680**	6,467	5,983
Transfers from Government of Canada						
Canada Health and Social Transfer	1,767	-	-	**-**	-	-
Health transfers	277	1,625	1,678	**2,048**	1,959	2,086
Canada Social Transfer	-	679	606	**690**	726	764
Agriculture support programs	561	286	494	**355**	312	312
Other	321	381	372	**408**	395	436
	2,926	2,971	3,150	**3,501**	3,392	3,598
Net Income from Commercial Operations						
Alberta Gaming and Liquor Commission						
Gaming and lottery revenue	1,125	1,162	1,212	**1,202**	1,257	1,289
Liquor revenue	557	551	554	**560**	571	582
Alberta Treasury Branches	172	151	171	**162**	183	209
Other	28	5	5	**5**	6	6
	1,882	1,869	1,942	**1,929**	2,017	2,086
Premiums, Fees and Licences						
Health care insurance premiums	940	928	898	**875**	888	901
Motor vehicle licences	266	270	281	**291**	296	301
Crop and hail insurance premiums	146	153	134	**157**	160	160
Timber rentals and fees	116	64	98	**81**	53	106
Land titles	44	41	47	**50**	52	55
Other	302	277	288	**293**	298	302
	1,814	1,733	1,746	**1,747**	1,747	1,825
Investment Income						
Alberta Heritage Savings Trust Fund	1,117	631	1,014	**669**	682	700
Alberta Capital Finance Authority	323	314	311	**287**	262	237
Agriculture Financial Services Corporation	86	85	82	**86**	88	90
Sustainability Fund	42	75	78	**80**	85	90
Debt Retirement Account	49	10	55	**115**	90	85
Endowment Funds						
Medical Research	73	30	66	**37**	55	67
Science and Engineering Research	37	12	26	**20**	27	29
Scholarship	23	9	19	**13**	14	13
Capital Account	30	20	27	**28**	36	13
Other	58	40	53	**41**	42	45
	1,838	1,226	1,731	**1,376**	1,381	1,369
Other						
Refunds of expense	96	81	85	**82**	81	81
Fines and penalties	69	68	70	**72**	72	72
Miscellaneous	261	249	268	**283**	270	268
	426	398	423	**437**	423	421
Total Revenue	25,887	22,952	28,753	**27,346**	26,537	26,890

2005-06 Revenue
$27.3 billion



Expense by Ministry

(millions of dollars)

	2003-04 Actual	2004-05 Budget	2004-05 Forecast	2005-06 Estimate	2006-07 Target	2007-08 Target
Program						
Legislative Assembly	56	76	75	**70**	71	73
Aboriginal Affairs and Northern Development	35	36	36	**39**	41	27
Advanced Education	1,344	1,458	1,462	**1,658**	1,765	1,895
Agriculture, Food and Rural Development	1,499	909	1,398	**1,151**	1,015	1,014
Children's Services	700	741	767	**799**	827	851
Community Development	187	214	206	**247**	207	209
Economic Development	58	58	58	**80**	88	91
Education	3,633	3,810	3,874	**4,155**	4,325	4,497
Energy	199	191	197	**203**	205	207
Environment	122	125	132	**138**	138	136
Executive Council	18	21	21	**26**	26	26
Finance	582	600	593	**588**	572	560
Gaming	143	165	198	**169**	203	208
Government Services	75	81	78	**90**	91	92
Health and Wellness	7,295	7,917	8,270	**8,977**	9,333	9,705
Human Resources and Employment	748	742	782	**778**	774	774
Infrastructure and Transportation	2,268	2,564	3,150	**3,420**	3,458	3,080
Innovation and Science	145	155	197	**181**	193	183
International and Intergovernmental Relations	6	8	8	**10**	9	9
Justice	257	283	294	**314**	327	335
Municipal Affairs	139	123	150	**127**	129	127
Restructuring and Government Efficiency	53	62	52	**80**	80	80
Seniors and Community Supports	1,310	1,396	1,428	**1,605**	1,689	1,736
Solicitor General	283	346	359	**405**	431	444
Sustainable Resource Development	325	205	329	**225**	228	230
Total Program Expense	21,480	22,286	24,114	**25,535**	26,225	26,589
Debt Servicing Costs	271	363	325	**291**	250	252
Total Expense	21,751	22,649	24,439	**25,826**	26,475	26,841

Expense by Function[a]

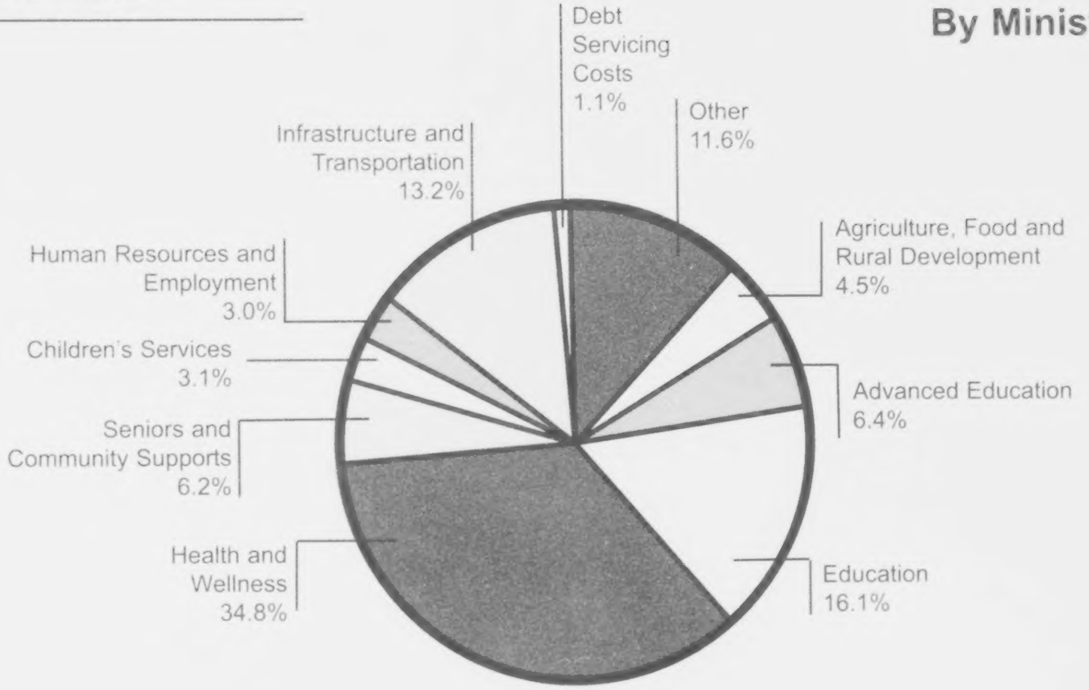
(millions of dollars)

	2003-04 Actual	2004-05 Budget	2004-05 Forecast	2005-06 Estimate	2006-07 Target	2007-08 Target
Health	7,646	8,400	9,042	**9,510**	9,842	9,944
Education	5,854	6,333	6,391	**6,754**	7,125	7,263
Social Services	2,272	2,394	2,479	**2,684**	2,820	2,889
Transportation, Communications and Utilities	1,001	974	1,268	**1,889**	1,871	1,964
Agriculture, Resource Management and Economic Development	2,037	1,500	2,066	**1,816**	1,742	1,742
Protection of Persons and Property	858	806	972	**911**	939	960
Regional Planning and Development	446	429	429	**409**	386	346
Recreation and Culture	274	307	297	**328**	287	288
Environment	184	178	185	**193**	193	192
Housing	146	155	160	**179**	151	132
General Government	762	810	825	**862**	869	869
Debt Servicing Costs	271	363	325	**291**	250	252
Total Expense	21,751	22,649	24,439	**25,826**	26,475	26,841

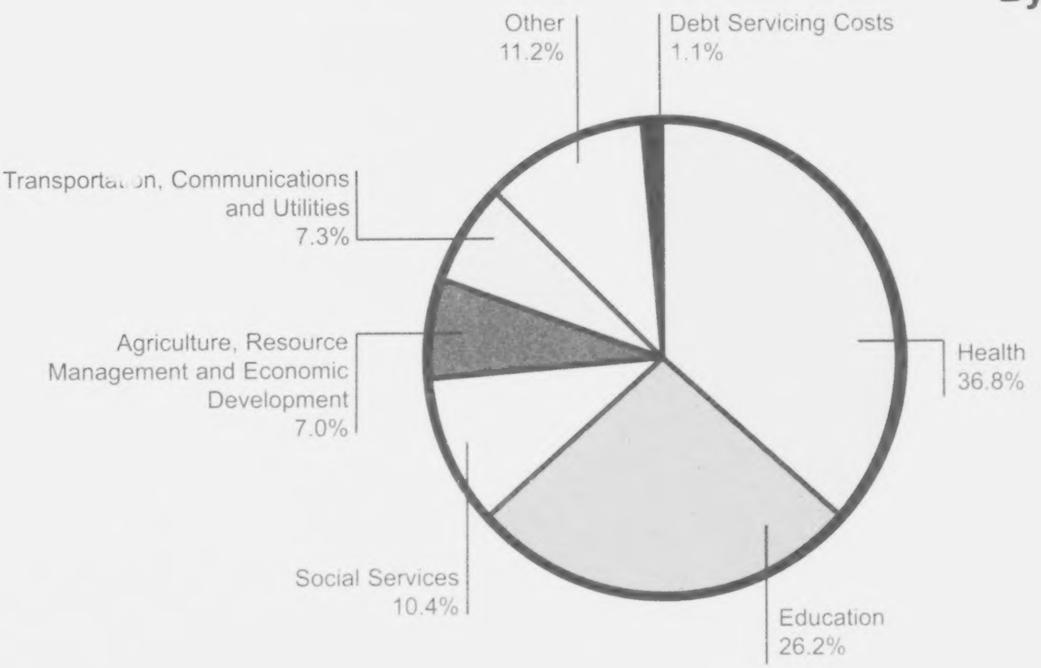
[a] In 2007-08, $580 million of health and education capital projects are assumed to be alternatively financed. Only the financing costs for these projects are included in expense.

2005-06 Expense
$25.8 billion

By Ministry



By Function



2005-06 Expense by Function

(millions of dollars)

	Health	Education	Social Services	Economic Development[a]	Transportation[b]	Protection of Persons and Property	Regional Planning and Development	Recreation and Culture	Environment	Housing	General Government	Debt Servicing Costs	Total Expense
Legislative Assembly	—	—	—	—	—	—	—	—	—	—	70	—	70
Aboriginal Affairs and Northern Development	—	—	—	—	—	—	39	—	—	—	—	—	39
Advanced Education	—	1,658	—	—	—	—	—	—	—	—	—	—	1,658
Agriculture, Food and Rural Development	—	—	—	1,151	—	—	—	—	—	—	—	53	1,204
Children's Services	—	—	799	—	—	—	—	—	—	—	—	—	799
Community Development	—	—	—	—	—	6	—	241	—	—	—	—	247
Economic Development	—	—	—	80	—	—	—	—	—	—	—	—	80
Education	—	4,155	—	—	—	—	—	—	—	—	—	4	4,159
Energy	—	—	—	132	8	—	—	—	13	—	50	—	203
Environment	—	—	—	—	—	—	—	—	138	—	—	—	138
Executive Council	—	—	—	—	—	—	—	—	—	—	26	—	26
Finance	56	—	—	23	—	26	287	—	—	—	196	195	783
Gaming	—	—	—	82	—	—	—	87	—	—	—	—	169
Government Services	—	—	—	3	—	84	—	—	—	—	3	—	90
Health and Wellness	8,977	—	—	—	—	—	—	—	—	—	—	—	8,977
Human Resources and Employment	—	281	437	8	—	36	—	—	—	—	16	—	778
Infrastructure and Transportation	394	660	—	17	1,881	30	1	—	25	32	380	—	3,420
Innovation and Science	—	—	—	181	—	—	—	—	—	—	—	—	181
International and Intergovernmental Relations	—	—	—	—	—	—	—	—	—	—	10	—	10
Justice	—	—	58	—	—	256	—	—	—	—	—	—	314
Municipal Affairs	—	—	—	—	—	14	82	—	—	—	31	—	127
Restructuring and Government Efficiency	—	—	—	—	—	—	—	—	—	—	80	—	80
Seniors and Community Supports	83	—	1,375	—	—	—	—	—	—	147	—	39	1,644
Solicitor General	—	—	15	—	—	390	—	—	—	—	—	—	405
Sustainable Resource Development	—	—	—	139	—	69	—	—	17	—	—	—	225
Total Expense	**9,510**	**6,754**	**2,684**	**1,816**	**1,889**	**911**	**409**	**328**	**193**	**179**	**862**	**291**	**25,826**

[a] Agriculture, Resource Management and Economic Development

[b] Transportation, Communications and Utilities

2005-06 Expense by Object

(millions of dollars)

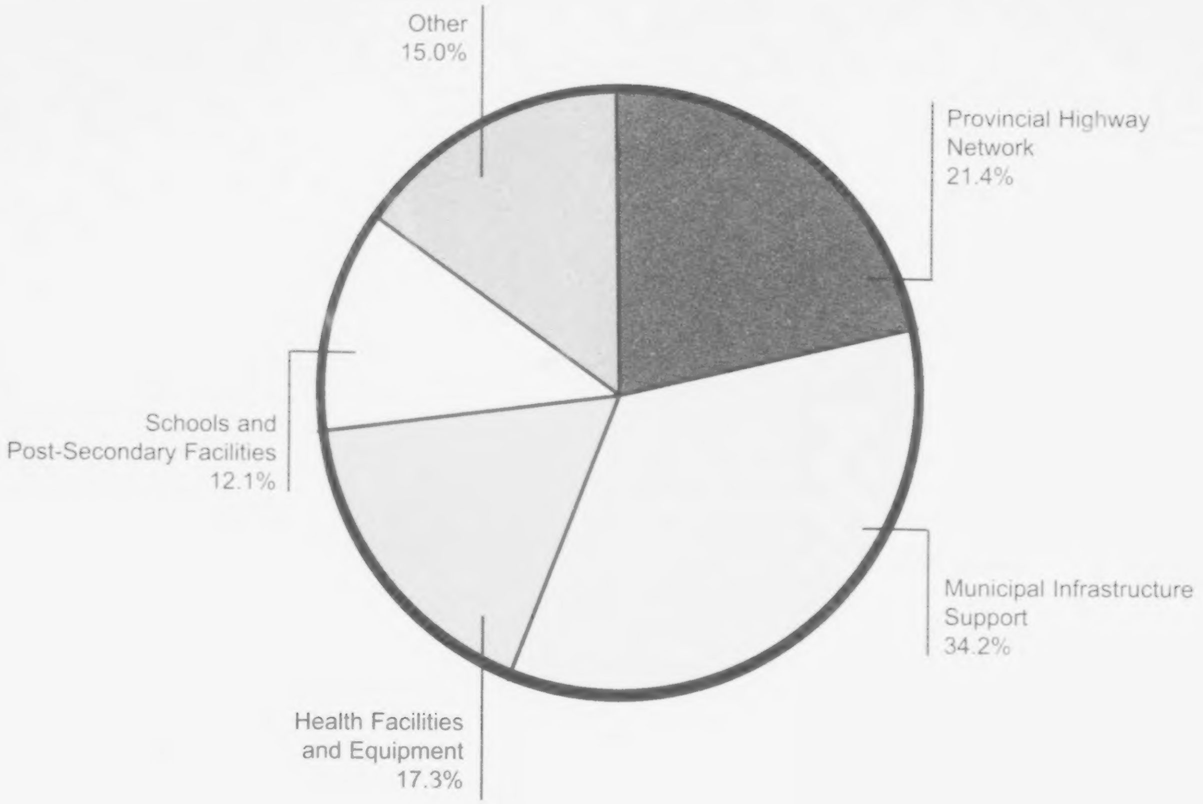
	Salaries, Wages, and Employee Benefits	Supplies and Services	Grants to Others	Internal Government Transfers	Financial Transactions and Other	Amortization of Capital Assets	Intra-Ministry Consolidation Adjustments	Ministry Expense	Inter-Ministry Consolidation Adjustments	Total Expense
Legislative Assembly	39	17	14	—	—	—	—	70	—	70
Aboriginal Affairs and Northern Development	6	13	20	—	—	—	—	39	—	39
Advanced Education	34	59	1,560	—	—	5	—	1,658	—	1,658
Agriculture, Food and Rural Development	122	66	243	277	765	8	(277)	1,204	—	1,204
Children's Services	185	551	62	590	—	1	(590)	799	—	799
Community Development	63	56	117	66	—	11	(66)	247	—	247
Economic Development	23	52	5	—	—	—	—	80	—	80
Education	53	96	4,005	—	4	1	—	4,159	—	4,159
Energy	115	60	13	46	—	15	(46)	203	—	203
Environment	66	48	4	—	—	20	—	138	—	138
Executive Council	21	5	—	—	—	—	—	26	—	26
Finance	80	53	123	490	1,074	7	(924)	903	(120)	783
Gaming	3	3	163	1,207	—	—	(165)	1,211	(1,042)	169
Government Services	35	51	—	—	—	4	—	90	—	90
Health and Wellness	99	150	8,658	72	41	29	(72)	8,977	—	8,977
Human Resources and Employment	132	140	500	—	3	3	—	778	—	778
Infrastructure and Transportation	123	624	2,362	—	—	315	—	3,424	(4)	3,420
Innovation and Science	56	50	75	40	—	3	(40)	184	(3)	181
International and Intergovernmental Relations	5	5	—	—	—	—	—	10	—	10
Justice	194	61	31	—	25	3	—	314	—	314
Municipal Affairs	27	19	79	—	—	2	—	127	—	127
Restructuring and Government Efficiency	79	141	—	—	—	35	—	255	(175)	80
Seniors and Community Supports	128	297	1,154	985	40	25	(985)	1,644	—	1,644
Solicitor General	147	199	59	—	—	—	—	405	—	405
Sustainable Resource Development	131	75	7	29	1	11	(24)	230	(5)	225
Total Expense	**1,966**	**2,891**	**19,254**	**3,802**	**1,953**	**498**	**(3,189)**	**27,175**	**(1,349)**	**25,826**

Capital Plan

(millions of dollars)

	2003-04 Actual	2004-05 Budget	2004-05 Forecast	2005-06 Estimate	2006-07 Target	2007-08 Target
Municipal infrastructure support	232	385	391	**1,021**	1,029	1,103
Provincial highway network	455	587	590	**684**	636	650
Health facilities and equipment	283	433	886	**561**	468	567
Schools	130	221	221	**201**	251	192
Post-secondary facilities	137	228	228	**111**	147	211
Community facilities and centennial projects	70	159	166	**176**	87	117
Water and wastewater management	79	57	58	**58**	57	56
Government facilities, housing and equipment	273	323	355	**354**	307	175
Total Capital Plan	1,659	2,393	2,895	**3,166**	2,982	3,071

2005-08 Capital Plan
$9.2 billion



Capital Plan Funding Details

(millions of dollars)

	2003-04 Actual	2004-05 Budget	2004-05 Forecast	2005-06 Estimate	2006-07 Target	2007-08 Target
Support for Local Authorities' Capital						
Current-year revenue	504	632	671	**716**	322	382
Capital Account	416	741	1,209	**1,274**	1,629	1,157
Alternatively financed	-	-	-	**26**	10	580
Total Support for Local Authorities' Capital	920	1,373	1,880	**2,016**	1,961	2,119
Government-Owned Capital [a]						
Current-year revenue	532	522	573	**632**	594	616
Capital Account	207	347	433	**435**	124	-
Alternatively financed	-	151	9	**83**	303	336
Total Government-Owned Capital	739	1,020	1,015	**1,150**	1,021	952
Capital Plan						
Current-year revenue	1,036	1,154	1,244	**1,348**	916	998
Capital Account	623	1,088	1,642	**1,709**	1,753	1,157
Alternatively financed	-	151	9	**109**	313	916
Total Capital Plan	1,659	2,393	2,895	**3,166**	2,982	3,071

[a] Includes provincial highway planning and rehabilitation projects which are included in program expense.

Comparison of the Capital Plan and Capital Expense

(millions of dollars)

	2003-04 Actual	2004-05 Budget	2004-05 Forecast	2005-06 Estimate	2006-07 Target	2007-08 Target
Capital Plan						
Capital grants to local authorities	920	1,373	1,880	**1,990**	1,951	1,539
Value of local authorities' alternatively financed projects	-	-	-	**26**	10	580
Provincial highway planning and rehabilitation	106	131	132	**113**	78	92
Capital investment in government-owned projects	633	889	883	**1,037**	943	860
Total Capital Plan	1,659	2,393	2,895	**3,166**	2,982	3,071
Expense for Capital Purposes [a]						
Capital grants to local authorities	920	1,373	1,880	**1,990**	1,951	1,539
Capital financing grants to local authorities	-	-	-	**5**	7	22
Provincial highway planning and rehabilitation	106	131	132	**113**	78	92
Amortization of government-owned projects	389	466	436	**498**	502	513
Total Expense for Capital Purposes	1,415	1,970	2,448	**2,606**	2,538	2,166

[a] Included in program expense. Does not include financing costs for government-owned P3s of $4 million in 2006-07 and $17 million in 2007-08 which are included in debt servicing costs.

Capital Investment in Government-Owned Capital[a]

(millions of dollars)

	2003-04 Actual	2004-05 Budget	2004-05 Forecast	2005-06 Estimate	2006-07 Target	2007-08 Target
Legislative Assembly	-	-	-	-	-	-
Aboriginal Affairs and Northern Development	-	-	-	-	-	-
Advanced Education	9	4	6	**8**	4	4
Agriculture, Food and Rural Development	12	13	11	**8**	8	8
Children's Services	3	-	2	-	-	-
Community Development	6	7	11	**45**	28	22
Economic Development	-	-	-	-	-	-
Education	2	1	1	**5**	4	1
Energy	14	11	11	**13**	13	13
Environment	1	4	4	**3**	3	2
Executive Council	-	-	-	-	-	-
Finance	7	5	7	**6**	5	5
Gaming	-	-	-	-	-	-
Government Services	3	4	6	**10**	10	10
Health and Wellness	37	67	70	**74**	83	70
Human Resources and Employment	3	4	4	**4**	4	4
Infrastructure and Transportation	468	706	685	**823**	720	678
Innovation and Science	3	4	5	**4**	4	5
International and Intergovernmental Relations	-	-	-	-	-	-
Justice	3	1	1	**1**	21	2
Municipal Affairs	5	2	2	**1**	1	1
Restructuring and Government Efficiency	31	44	43	**3**	3	3
Seniors and Community Supports	8	1	1	**1**	1	1
Solicitor General	-	-	-	-	-	-
Sustainable Resource Development	18	11	13	**28**	31	31
Total Capital Investment	633	889	883	**1,037**	943	860

[a] Includes inventory purchases

Grants to Local Authorities for Capital Purposes and Other Infrastructure Support[a]

(millions of dollars)

	2003-04 Actual	2004-05 Budget	2004-05 Forecast	2005-06 Estimate	2006-07 Target	2007-08 Target
Agriculture, Food and Rural Development	19	24	24	**27**	29	29
Community Development	2	14	14	**31**	1	1
Education	20	-	-	-	-	-
Environment	4	1	7	**1**	1	1
Finance	-	4	4	**4**	4	4
Gaming	38	39	79	**45**	45	45
Health and Wellness	50	50	200	**109**	59	60
Infrastructure and Transportation	835	1,311	1,615	**1,861**	1,888	1,510
Innovation and Science	12	10	10	**2**	6	-
Municipal Affairs	-	-	3	**3**	3	3
Seniors and Community Supports	46	51	56	**25**	-	-
Total Support	1,026	1,504	2,012	**2,108**	2,036	1,653

[a] Included in program expense.

Includes capital financing grants to local authorities	-	-	-	5	7	22
Excludes the value of alternatively financed projects	-	-	-	26	10	580

Capital Amortization for Government-Owned Capital[a]

(millions of dollars)

	2003-04 Actual	2004-05 Budget	2004-05 Forecast	2005-06 Estimate	2006-07 Target	2007-08 Target
Legislative Assembly	-	-	-	**-**	1	1
Aboriginal Affairs and Northern Development	-	-	-	**-**	-	-
Advanced Education	1	4	4	**5**	5	5
Agriculture, Food and Rural Development	7	8	8	**8**	8	8
Children's Services	1	1	1	**1**	1	1
Community Development	9	10	9	**11**	12	12
Economic Development	-	-	-	**-**	-	-
Education	1	1	1	**1**	1	1
Energy	13	14	14	**15**	16	16
Environment	17	19	19	**20**	20	20
Executive Council	-	-	-	**-**	-	-
Finance	6	6	6	**7**	7	7
Gaming	-	-	-	**-**	-	-
Government Services	2	2	3	**4**	6	6
Health and Wellness	31	23	35	**29**	26	26
Human Resources and Employment	2	3	3	**3**	3	3
Infrastructure and Transportation	255	312	283	**315**	318	322
Innovation and Science	3	3	3	**3**	3	3
International and Intergovernmental Relations	-	-	-	**-**	-	-
Justice	1	2	2	**3**	3	8
Municipal Affairs	2	2	2	**2**	2	2
Restructuring and Government Efficiency	7	20	7	**35**	34	35
Seniors and Community Supports	24	25	25	**25**	25	25
Solicitor General	-	-	-	**-**	-	-
Sustainable Resource Development	7	11	11	**11**	11	12
Total Capital Amortization	389	466	436	**498**	502	513

[a] Includes inventory consumption.

Capital Account

(millions of dollars)

	2003-04 Actual	2004-05 Budget	2004-05 Forecast	2005-06 Estimate	2006-07 Target	2007-08 Target
Assets at start of year	910	1,180	1,180	**674**	2,228	1,012
Allocation to Capital Account	893	626	1,136	**3,263**	537	295
Withdrawals						
Capital grants to local authorities	(416)	(741)	(1,209)	**(1,274)**	(1,629)	(1,157)
Government-owned capital investment	(207)	(347)	(433)	**(435)**	(124)	-
Assets at End of Year	1,180	718	674	**2,228**	1,012	150

Sustainability Fund Details

(millions of dollars)

	2003-04 Actual	2004-05 Budget	2004-05 Forecast	2005-06 Estimate	2006-07 Target	2007-08 Target
Assets at start of year	-	2,500	2,500	**3,498**	2,500	2,500
Transfers to Sustainability Fund						
Non-renewable resource revenue transfer from general revenue	4,176	784	5,628	**2,930**	1,717	1,233
Other net transfers	1,387	-	1,029	**34**	-	-
Total transfers to Sustainability Fund	5,563	784	6,657	**2,964**	1,717	1,233
Transfers from Sustainability Fund						
Transfer for disaster and emergency program expense	(797)	-	(820)	**(133)**	-	-
Transfer for Natural Gas Rebate Program expense	(214)	-	(314)	**(285)**	(285)	(285)
Total transfers from Sustainability Fund	(1,011)	-	(1,134)	**(418)**	(285)	(285)
Adjustments						
Cash adjustments	507	658	123	**517**	(343)	(65)
Cash not transferred from 2003-04 fourth quarter results	(510)	-	510	**-**	-	-
Retained income of funds and agencies	(263)	(90)	(292)	**(133)**	(178)	(210)
Total adjustments	(266)	568	341	**384**	(521)	(275)
Assets prior to reallocation	4,286	3,852	8,364	**6,428**	3,411	3,173
Reallocation to:						
Debt Retirement Account	(893)	(726)	(3,730)	**-**	-	-
Capital Account	(893)	(626)	(1,136)	**(3,263)**	(537)	(295)
Heritage Fund - inflation proofing	-	-	-	**(215)**	(224)	(228)
Heritage Fund - Advanced Education endowment	-	-	-	**(250)**	-	-
Medical Research Endowment Fund	-	-	-	**(200)**	(150)	(150)
Assets at End of Year	2,500	2,500	3,498	**2,500**	2,500	2,500

Detailed Sustainability Fund Adjustments

(millions of dollars)

	2003-04 Actual	2004-05 Budget	2004-05 Forecast	2005-06 Estimate	2006-07 Target	2007-08 Target
Cash Adjustments						
Energy royalties	677	547	(150)	**460**	(320)	(21)
Other	(152)	21	254	**57**	(23)	(44)
Not transferred in 2003-04 from fourth quarter results	(510)	-	510	**-**	-	-
Capital Cash adjustments						
Capital investment	(633)	(889)	(883)	**(1,037)**	(943)	(860)
Capital amortization	389	466	436	**498**	502	513
Principal repayment	-	-	-	**-**	-	(2)
Net book value of capital asset disposals	19	15	24	**21**	14	13
Funding from Capital Account (government-owned projects)	207	347	433	**435**	124	-
Alternatively financed capital investment	-	151	9	**83**	303	336
Total Cash Adjustments	(3)	658	633	**517**	(343)	(65)
Retained Income of Funds and Agencies						
Alberta Treasury Branches	(172)	(151)	(171)	**(162)**	(183)	(209)
Agriculture Financial Services Corporation	(62)	26	(93)	**2**	1	1
Endowment Funds						
Medical Research	(22)	25	(16)	**18**	-	(3)
Science and Engineering Research	(27)	5	(10)	**3**	(2)	(2)
Scholarship	-	12	4	**11**	11	12
Other	20	(7)	(6)	**(5)**	(5)	(9)
Total Retained Income of Funds and Agencies	(263)	(90)	(292)	**(133)**	(178)	(210)
Total Adjustments	(266)	568	341	**384**	(521)	(275)

Balance Sheet Details

(millions of dollars)

	At March 31				
	2004 Actual	2005 Forecast	2006 Estimate	2007 Target	2008 Target
Financial Assets					
Total Heritage Fund equity	11,362	11,362	**11,827**	12,051	12,279
Less internal holdings of debt	(95)	(89)	**(81)**	(72)	(62)
Heritage Fund external investments	11,267	11,273	**11,746**	11,979	12,217
Self-supporting lending organizations					
Alberta Capital Finance Authority	4,230	4,274	**4,088**	3,909	3,768
Agriculture Financial Services Corporation	1,367	1,314	**1,378**	1,400	1,423
Endowment funds					
Alberta Heritage Foundation for Medical Research	849	864	**1,046**	1,196	1,348
Alberta Heritage Science and Engineering Research	522	532	**528**	530	532
Alberta Heritage Scholarship	251	247	**237**	226	214
Sustainability Fund	2,500	3,498	**2,500**	2,500	2,500
Capital Account	1,180	674	**2,228**	1,012	150
Debt Retirement Account	1,241	3,469	**2,220**	2,125	1,868
Other Financial Assets					
Equity in commercial enterprises	1,244	1,420	**1,587**	1,776	1,991
Contingency Allowance [a]	-	-	**248**	507	765
Student loans	110	141	**181**	213	240
Other cash, marketable securities and accounts receivable	4,504	3,336	**2,759**	3,029	3,066
Total Financial Assets	29,265	31,042	**30,746**	30,402	30,082
Liabilities					
Accumulated Debt					
General Revenue Fund	5,190	3,715	**2,567**	2,569	2,404
Alberta Social Housing Corporation	506	479	**453**	424	393
School construction loans	526	451	**381**	316	256
Less: General Revenue Fund holdings of provincial corporations' debt	(1,251)	(1,176)	**(1,181)**	(1,184)	(1,185)
Accumulated Debt	4,971	3,469	**2,220**	2,125	1,868
Pension obligations	5,059	5,223	**5,364**	5,498	5,636
Self-supporting lending organizations					
Alberta Capital Finance Authority	4,230	4,274	**4,088**	3,908	3,768
Agriculture Financial Services Corporation	1,234	1,087	**1,187**	1,210	1,233
Less debt internally held by consolidated entities	(908)	(900)	**(923)**	(944)	(965)
Liabilities for government-owned capital	-	9	**92**	395	729
Other Liabilities					
Accounts and interest payable	4,066	3,532	**3,496**	3,475	3,487
Guarantees, indemnities and remissions	31	31	**35**	37	40
Other accrued liabilities	163	163	**165**	166	167
Less other debt internally held by consolidated entities	(129)	(121)	**(114)**	(105)	(95)
Total Liabilities	18,717	16,767	**15,610**	15,765	15,868
Net Financial Assets	10,548	14,275	**15,136**	14,637	14,214
Capital Assets	10,534	10,957	**11,475**	11,902	12,236
Net Assets	21,082	25,232	**26,611**	26,539	26,450
Adjustment for pension obligations	5,059	5,223	**5,364**	5,498	5,636
Net Assets for Fiscal Policy Purposes [b]	26,141	30,455	**31,975**	32,037	32,086

[a] Cumulative total of Contingency Allowance available for in-year initiatives but not yet committed.

[b] Under the *Fiscal Responsibility Act*, excludes pension obligations.

Capital Assets

(millions of dollars)

	2003-04 Actual	2004-05 Forecast	2005-06 Estimate	2006-07 Target	2007-08 Target
Net book value at start of year	10,309	10,534	**10,957**	11,475	11,902
Capital investment	633	883	**1,037**	943	860
Capital amortization	(389)	(436)	**(498)**	(502)	(513)
Net book value of capital disposals	(19)	(24)	**(21)**	(14)	(13)
Net Book Value of Capital Assets at End of Year	10,534	10,957	**11,475**	11,902	12,236

Debt Servicing Costs

(millions of dollars)

	2003-04 Actual	2004-05 Budget	2004-05 Forecast	2005-06 Estimate	2006-07 Target	2007-08 Target
Agriculture, Food and Rural Development						
Agriculture Financial Services Corporation	47	53	47	**53**	56	57
Education						
Alberta School Foundation Fund	3	4	3	**4**	5	6
Finance						
General government	177	265	234	**195**	148	138
Infrastructure and Transportation						
Financing costs for government-owned capital (P3s)	-	-	-	**-**	4	17
Seniors and Community Supports						
Alberta Social Housing Corporation	44	41	41	**39**	37	34
Total Debt Servicing Costs	271	363	325	**291**	250	252

Pension Obligations[a]

(millions of dollars)

	At March 31				
	2004 Actual	2005 Forecast	2006 Estimate	2007 Target	2008 Target
Obligations for Employees of Organizations Outside the Government Reporting Entity					
Teachers' Pension Plan	4,094	4,263	**4,417**	4,567	4,720
Universities Academic Pension Plan	171	178	**185**	192	200
Special Forces Pension Plan	68	75	**74**	72	70
	4,333	4,516	**4,676**	4,831	4,990
Obligations for Current and Former Government Employees and MLAs					
Public Service Management Pension Plan [b]	676	658	**640**	620	599
Members of the Legislative Assembly Pension Plan [b]	50	49	**48**	47	47
	726	707	**688**	667	646
Total Pension Obligations	5,059	5,223	**5,364**	5,498	5,636

[a] Pension obligations are scheduled for elimination under a 1993 legislated plan.

[b] Membership closed and pensionable service no longer being accrued.

General Revenue Fund Term Debt Maturities[a]

	Par Amount (Cdn$ millions)	Coupon Rate (%)	Maturity Date
2005-06 Term Debt Maturities			
1995 Canadian medium-term notes	125	8.45	May 16, 2005
1995 Japanese Yen loan[b]	28	4.40	September 13, 2005
1993 Euro Canadian dollar notes	500	7.25	October 28, 2005
1995 Canadian debenture	500	7.50	December 1, 2005
Total	**1,153**		
2006-07 Term Debt Maturities	NO GENERAL REVENUE FUND TERM DEBT MATURITIES		
2007-08 Term Debt Maturities			
1999 Canadian medium-term note	166	5.65	October 1, 2007
Total	**166**		
2008-09 Term Debt Maturities			
1998 Canadian medium-term note	50	5.80	June 5, 2008
1998 Canadian debenture	500	5.00	December 16, 2008
Total	**550**		
2009-10 Term Debt Maturities	NO GENERAL REVENUE FUND TERM DEBT MATURITIES		
2010-13 Term Debt Maturities			
1991 Canada Pension Plan debenture	202	10.45	March 1, 2011
1992 Canada Pension Plan debenture	281	9.92	March 2, 2012
1993 Canada Pension Plan debenture	196	9.37	March 1, 2013
Total	**679**		

[a] Does not include principal repayment on GRF notes supported by self-supporting provincial corporations. There is no GRF debt left after March 1, 2013. Other components of accumulated debt include the debt of the Alberta Social Housing Corporation of which $173 million will remain after 2013 and school construction debt of which $66 million will remain after 2013. The Debt Retirement Account has assets to repay these amounts.

[b] Swapped into Canadian dollars.

Net Financing Requirements[a]

(millions of dollars)

	2003-04 Actual	2004-05 Forecast	2005-06 Estimate	2006-07 Target	2007-08 Target
Requirements					
General Revenue Fund term debt maturities	1,615	1,443	**1,153**	-	166
School construction loans	83	75	**70**	66	60
Adjustments	77	(16)	**26**	29	31
Accumulated debt maturities	1,775	1,502	**1,249**	95	257
Provincial corporations' term borrowing requirements	130	120	**180**	175	170
Gross financing requirements	1,905	1,622	**1,429**	270	427
Cash applied to accumulated debt repayment	(1,775)	(1,502)	**(1,249)**	(95)	(257)
Net Term Debt Financing Requirements	130	120	**180**	175	170

[a] Does not include alternatively financed requirements for government-owned capital projects in 2006-07 and 2007-08.

Loans and Advances[a]

(millions of dollars)

	At March 31	
	2004 Actual	2005 Forecast
Loans and Advances		
Agriculture Financial Services Act	1,005	1,038
Student Financial Assistance Act	196	236
Alberta Heritage Savings Trust Fund Act		
Ridley Grain Ltd.	176	188
Vencap Acquisition Corporation	6	2
Farm Credit Stability Act	26	13
Alberta Housing Act	22	29
Financial Administration Act		
Accountable advances	8	8
Pratt & Whitney Canada Inc.	2	1
Board of Governors, University of Alberta	1	1
	1,442	1,516
Allowance for doubtful loans, advances, implemented guarantees and indemnities		
Ridley Grain Ltd.	(84)	(88)
Student Loan Relief Completion Payments	(62)	(65)
Other	(52)	(73)
	(198)	(226)
Total Loans and Advances	**1,244**	**1,290**

[a] When a loan is considered impaired, accrued interest is no longer included in income. This does not alter the borrower's obligation to pay all accrued interest.

Guarantees

(millions of dollars)

	At March 31	
	2004 Actual	2005 Forecast
Guarantees		
Feeder associations	52	52
Student Financial Assistance Act	41	31
Alberta Housing Act	42	33
Agriculture Financial Services Act	39	38
Farm Credit Stability Act	27	14
Securities Act	2	2
Centre for Engineering Research Inc.	1	1
Rural utilities loans	1	-
University of Calgary	1	-
	206	171
Estimated Liability		
Loan guarantees	(13)	(14)
Student Loan Relief Completion Payments	(3)	(2)
	(16)	(16)
Total Guarantees	**190**	**155**

2005-06 Allocation of Lottery Fund Revenue

(thousands of dollars)

Lottery Fund Revenue [a]	**1,207,533**
Legislative Assembly	
Legislative Assembly centennial programs	415
Advanced Education	
Community education	15,600
Achievement scholarships	3,100
Learning television	2,300
Agriculture, Food and Rural Development	
Agriculture initiatives	11,620
Agricultural service boards	10,600
Children's Services	
Family and Community Support Services	30,000
Prevention of Family Violence and Bullying	4,000
Community Development	
Alberta Foundation for the Arts	32,534
Centennial grants	30,000
Alberta Sport, Recreation, Parks and Wildlife Foundation	17,670
Wild Rose Foundation	7,766
Alberta Historical Resources Foundation	7,087
Hosting major athletic events	2,175
Human Rights, Citizenship and Multiculturalism Education Fund	1,265
Cultural Facilities and Historical Resources Grants	1,030
Education	
School support - transportation subsidies	61,300
High speed networking	6,000
Learning television	2,300
Environment	
Educational awareness	500
Gaming	
Racing industry renewal	45,000
Community Facility Enhancement Program	38,500
Community Initiatives Program	30,000
Calgary Exhibition and Stampede	10,350
Edmonton Northlands	10,350
Bingo associations	8,000
First Nations Development Fund	4,000
Major fairs and exhibitions	2,660
Gaming research	1,600
Other initiatives	14,673
Health and Wellness	
Human tissue and blood services	130,000
Alberta Alcohol and Drug Abuse Commission	62,916
Health services research	5,175
Community-based health services	5,000
Aboriginal health strategies	2,200
Human Resources and Employment	
Summer Temporary Employment Program	8,195
Immigrant support services	3,574
Infrastructure and Transportation	
Health care facilities	140,000
School facilities	58,000
Post-secondary facilities	16,000
Rural transportation partnerships	50,000
Alberta cities transportation partnerships	35,000
Streets Improvement Program	25,000
Municipal water and wastewater grants	25,000
Provincial highways	20,000
Water management infrastructure	20,000
Infrastructure Canada / Alberta Program	5,000
Innovation and Science	
Science and Research Investment Program	22,453
Alberta Energy Research Institute	15,530
Life sciences	11,635
Informatics Circle of Research Excellence	10,620
Municipal Affairs	
Municipal sponsorship	12,000
Unconditional municipal grants	12,000
Finance	
Contingency allowance	99,840
Total Lottery Fund Allocation	**1,207,533**

[a] Includes $6 million of investment income.

Full-Time Equivalent Employment

	2004-05 Budget	2005-06 Estimate	Change
Legislative Assembly	447	**446**	(1)
Aboriginal Affairs and Northern Development	79	**90**	11
Advanced Education	380	**421**	41
Agriculture, Food and Rural Development	1,707	**1,722**	15
Children's Services	2,541	**2,601**	60
Community Development	881	**917**	36
Economic Development	202	**215**	13
Education	649	**692**	43
Energy	1,375	**1,442**	67
Environment	780	**799**	19
Executive Council	231	**233**	2
Finance	843	**929**	86
Gaming	42	**42**	-
Government Services	466	**482**	16
Health and Wellness	1,241	**1,378**	137
Human Resources and Employment	1,749	**1,785**	36
Infrastructure and Transportation	1,731	**1,731**	-
Innovation and Science	696	**696**	-
International and Intergovernmental Relations	58	**61**	3
Justice	2,229	**2,307**	78
Municipal Affairs	319	**334**	15
Restructuring and Government Efficiency	1,206	**1,272**	66
Seniors and Community Supports	1,931	**2,007**	76
Solicitor General	2,099	**2,303**	204
Sustainable Resource Development	1,906	**1,906**	-
Total Full-Time Equivalent Employment	25,788	**26,811**	1,023

Premiums, Fees and Licences Changes

	2004-05	2005-06
Community Development		
Jubilee Auditoria		
Main stage rental rates 12 hour day; 3 hour maximum performance length (negotiable):		
Commercial single performance	$4,500	$5,000
Commercial % maximum	$8,500	$10,000
Commercial two performances (same day)	$5,500	$6,000
Commercial % maximum	$10,000	$15,000
Commercial house strip/restore	$500	$800
Seat/ticket surcharge	$1.00	$1.50
Justice		
Public Trustee Common Fund - Management fee (% of Fund assets)	0.0175%	0.0650%
Environment		
Water and Wastewater Operator Certification Program	-	$75.00

Major Provincial Tax Rates, 2005

		AB	BC	SK	MB	ON	QC	NB	NS	PE	NL
Personal Income Tax											
Statutory rate range											
– lowest rate	(%)	10.00	6.05	11.00	10.90	6.05	16.00[a]	9.68	8.79	9.80	10.57
– highest rate	(%)	10.00	14.70	15.00	17.40	11.16	24.00[a]	17.84	17.50	16.70	18.02
Surtax	(%)	—	—	—	—	20.0/36.0	—	—	10.0	10.0	9.0
Credit amounts											
– Personal amount	($)	14,523	8,676	8,404	7,634	8,196	6,365	7,888	7,231	7,412	7,410
– Spousal amount	($)	14,523	7,429	8,404	6,482	6,960	6,365	6,698	6,140	6,294	6,055
Corporate Income Tax											
General rate	(%)	11.5	13.5	17.0	15.0	14.0	8.9	13.0	16.0	16.0	14.0
M&P rate	(%)	11.5	13.5	10-17[b]	15.0	12.0	8.9	13.0	16.0	7.5	5.0
Small business											
– rate	(%)	3.0	4.5	5.0	5.0	5.5	8.9	2.5	5.0	7.5	5.0
– threshold	($000)	400	400	300	400	400	n/a	425	300	300	300
Capital Tax											
General	(max.%)	—	—	0.60	0.50	0.30	0.60	0.30	0.30	—	—
Financial institutions	(max.%)	—	3.00	3.25	3.00	0.90	1.45[c]	3.00	4.00	5.00	4.00
Retail Sales Tax	(%)	—	7.0	7.0	7.0	8.0	7.5[d]	8.0	8.0	10.0[d]	8.0
Gasoline Tax	(¢/litre)	9.0	14.5[e]	15.0	11.5	14.7	15.2[e,f]	14.5[f]	15.5[f]	17.0	16.5[f]
Tobacco Tax	($/carton)	32.00	35.80	35.00[f]	35.00[f]	23.45	20.60	23.50[f]	31.04[f]	34.90	34.00[f]
Payroll Tax	(max.%)	—	—	—	2.15	1.95	4.26[g]	—	—	—	2.00

Rates for other provinces known as of March 21, 2005.

[a] Quebec residents receive an abatement of 16.5% of basic federal tax in lieu of federal cash transfers to Quebec for several social programs.

[b] The general corporate tax rate is reduced by up to 7 points based on the share of a corporation's national manufacturing and processing income allocated to Saskatchewan.

[c] The Quebec financial institutions capital tax includes the base rate of 1.20% and a compensatory tax of 0.25%.

[d] These provinces apply their retail sales tax on the retail price of the good inclusive of the GST.

[e] An additional 6¢/litre is imposed in the greater Vancouver area, 2.5¢/litre in Victoria and 1.5¢/litre in Montreal.

[f] These provinces apply their retail sales taxes on the retail price of the good inclusive of the particular excise tax.

[g] Quebec levies an additional 2% compensatory tax on the wages paid by financial institutions that is not included in this rate.

Key Energy and Economic Assumptions

Fiscal Year Assumptions	2002-03 Actual	2003-04 Actual	2004-05	2005-06	2006-07	2007-08
Prices						
Crude Oil Price						
WTI (US$/bbl)	29.04	31.38	45.03	42.00	32.00	31.00
Alberta Wellhead (Cdn$/bbl)[a]	39.40	36.40	48.07	43.08	31.72	30.66
Natural Gas Price						
Alberta Reference Price (Cdn$/mcf)	4.98	5.75	6.38	5.91	5.69	5.48
Alberta Reference Price (Cdn$/GJ)	4.72	5.45	6.05	5.60	5.40	5.20
Production						
Conventional crude oil (000's barrels/day)	650	619	590	554	530	513
Non-conventional crude oil (000's barrels/day)	730	882	981	1,055	1,308	1,396
Natural gas (billions of cubic feet)	5,352	5,226	5,246	5,139	5,006	4,866
Interest rates						
3-month Canada treasury bills (per cent)	2.77	2.70	2.28	2.90	3.80	4.50
10-year Canada bonds (per cent)	5.18	4.68	4.52	4.50	5.25	6.00
Exchange Rate (US¢/Cdn$)	64.6	74.0	78.4	83.5	85.0	85.0

Calendar Year Assumptions	2003 Actual	2004 Actual	2005	2006	2007	2008
Gross Domestic Product						
Nominal (millions of dollars)	170,803	191,886[b]	202,583	210,035	216,282	226,469
per cent change	13.4	12.3	5.6	3.7	3.0	4.7
Real (millions of 1997 dollars)	129,553	135,308[b]	140,347	144,933	149,302	153,558
per cent change	2.7	4.4	3.7	3.3	3.0	2.9
Other Indicators						
Employment (thousands)	1,717.9	1,757.9	1,791.3	1,825.3	1,858.2	1,891.6
per cent change	2.8	2.3	1.9	1.9	1.8	1.8
Unemployment rate (per cent)	5.1	4.6	4.5	4.4	4.2	4.0
Housing starts (number of units)	36,171	36,270	34,200	32,300	31,200	30,500
Alberta Consumer Price Index (per cent change)	4.4	1.4	1.7	1.9	1.9	1.9
Population (thousands)	3,158.6	3,201.9	3,248.0	3,296.4	3,345.1	3,394.1
per cent change	1.4	1.4	1.4	1.5	1.5	1.5

[a] refers to the average price per barrel of Alberta light, medium and heavy oil

[b] estimated

Sensitivities to Fiscal Year Assumptions, 2005-06[a]

(millions of dollars)

	Annual Change	Revenue	Spending	Net Change
Oil Price (WTI US$/bbl)	-$1.00	-99	--	-99
Natural Gas Price (Cdn$/GJ)	-10¢	-99	--	-99
Exchange Rate (US¢/Cdn$)	+1¢	-117	-2	-115
Interest Rates	+1%	-85	+5	-90

[a] Sensitivities are based on current assumptions of prices and rates and show the effect for a full 12 month period. Sensitivities can vary significantly at different price and rate levels. The energy price sensitivities do not include the potential impact of price changes on the revenue from land sales. The interest rate sensitivity has two components, an increase in cash interest income and a capital loss. When interest rates rise, bond prices go down, causing a capital loss.

Historical Fiscal Summary, 1986-87 to 2007-08[a]

(millions of dollars)

		A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V
		1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
																				Forecast	Estimate	Target	Target
	INCOME STATEMENT																						
	Revenue																						
1	Personal income tax	1,768	2,236	2,039	2,536	2,796	3,057	2,794	2,877	3,063	3,177	3,445	3,877	4,601	5,100	3,943	4,183	4,834	4,613	4,649	5,199	5,515	5,845
2	Corporate income tax	396	595	697	700	803	731	637	854	1,073	1,332	1,407	1,849	1,659	1,255	2,023	2,229	2,019	1,696	2,353	2,278	2,364	2,458
3	School property tax	686	729	769	824	915	1,027	1,115	1,168	1,196	1,205	1,169	1,212	1,118	1,128	1,151	1,094	1,113	1,178	1,233	1,273	1,312	1,345
4	Other tax revenue	262	553	679	683	878	1,029	1,055	1,053	1,126	1,112	1,157	1,218	1,178	1,241	1,386	1,469	1,633	1,838	1,898	1,926	1,919	1,960
5	Resource revenue	1,892	2,626	2,085	2,240	2,688	2,022	2,183	2,817	3,378	2,786	4,034	3,778	2,368	4,650	10,586	6,227	7,130	7,676	9,628	7,680	6,467	5,983
6	Investment income	1,965	1,847	1,834	1,891	2,125	2,155	1,711	1,837	1,567	1,724	1,616	1,747	1,610	1,906	1,353	788	(462)	1,838	1,731	1,376	1,381	1,369
7	Other own-source revenue	959	1,407	1,662	2,022	1,615	1,566	2,319	2,710	2,832	2,431	2,473	2,890	2,950	3,183	3,272	3,672	4,321	4,122	4,111	4,113	4,187	4,332
8	Total own-source revenue	7,928	9,993	9,765	10,896	11,820	11,587	11,814	13,316	14,235	13,767	15,301	16,571	15,484	18,463	23,714	19,662	20,588	22,961	25,603	23,845	23,145	23,292
9	Federal transfers	1,689	1,912	2,135	1,943	2,365	2,150	2,457	2,090	1,929	1,748	1,351	1,183	1,335	1,640	1,813	2,264	2,074	2,926	3,150	3,501	3,392	3,598
10	Total Revenue	9,617	11,905	11,900	12,839	14,185	13,737	14,271	15,406	16,164	15,515	16,652	17,754	16,819	20,103	25,527	21,926	22,662	25,887	28,753	27,346	26,537	26,890
	Expense by Function[b]																						
11	Health	3,244	3,114	3,372	3,631	3,895	4,129	4,352	4,194	3,928	3,773	4,006	4,401	4,660	5,341	5,946	6,846	6,917	7,646	9,042	9,510	9,842	9,944
12	Basic / advanced education	3,114	3,118	3,227	3,379	3,532	3,676	3,904	4,036	3,756	3,713	3,738	4,081	4,241	4,735	5,040	6,099	5,461	5,854	6,391	6,754	7,125	7,263
13	Social services	1,270	1,329	1,434	1,502	1,567	1,746	1,889	1,721	1,495	1,456	1,511	1,564	1,560	1,668	1,790	1,942	2,108	2,272	2,479	2,684	2,820	2,889
14	Other program expense	5,725	5,137	5,077	5,328	5,741	5,501	6,031	5,172	4,301	3,739	3,446	3,727	3,885	4,612	5,200	5,184	5,567	5,708	6,202	6,587	6,438	6,493
15	Total program expense	13,353	12,698	13,110	13,840	14,735	15,052	16,176	15,123	13,480	12,681	12,701	13,773	14,346	16,356	17,976	20,071	20,053	21,480	24,114	25,535	26,225	26,589
16	Debt servicing costs	297	572	797	1,115	1,282	1,314	1,419	1,654	1,746	1,683	1,462	1,322	1,379	956	980	774	476	271	325	291	250	252
17	Total Expense	13,650	13,270	13,907	14,955	16,017	16,366	17,595	16,777	15,226	14,364	14,163	15,095	15,725	17,312	18,956	20,845	20,529	21,751	24,439	25,826	26,475	26,841
18	**Net Revenue (Spending)**	**(4,033)**	**(1,365)**	**(2,007)**	**(2,116)**	**(1,832)**	**(2,629)**	**(3,324)**	**(1,371)**	**938**	**1,151**	**2,489**	**2,659**	**1,094**	**2,791**	**6,571**	**1,081**	**2,133**	**4,136**	**4,314**	**1,520**	**62**	**49**
19	Transfer from Capital Account																		416	1,209	1,274	1,629	1,157
20	Transfer from (to) Sustainability Fund																		(4,552)	(5,523)	(2,546)	(1,432)	(948)
21	**Contingency Allowance**																		—	—	**248**	**259**	**258**
	BALANCE SHEET																						
22	Net Financial Assets (Debt)[c]	7,784	6,419	4,412	2,296	464	(2,165)	(7,054)	(8,313)	(7,355)	(6,255)	(3,728)	(1,089)	(63)	2,654	9,042	9,814	11,696	15,607	19,498	20,500	20,135	19,850
23	Capital Assets[d]	N/A	N/A	N/A	N/A	N/A	N/A	N/A	8,220	7,669	7,411	7,292	7,215	7,218	7,259	8,002	10,141	10,309	10,534	10,957	11,475	11,902	12,236
24	**Net Assets (Debt)**	N/A	N/A	N/A	N/A	N/A	N/A	N/A	(93)	314	1,156	3,564	6,126	7,155	9,913	17,044	19,955	22,005	26,141	30,455	31,975	32,037	32,086
25	Pension obligations	6,625	7,946	8,004	8,243	6,156	5,774	4,770	5,066	5,352	5,352	4,981	4,890	4,813	4,728	4,742	4,771	4,927	5,059	5,223	5,364	5,498	5,636
26	**Accumulated Debt**[e]	10,091	11,105	13,069	15,527	16,647	17,406	20,305	22,701	21,451	20,531	17,733	14,976	14,106	12,020	8,195	5,261	4,736	3,730	—	—	—	—
27	Sustainability Fund assets																	—	2,500	3,498	2,500	2,500	2,500
28	Capital Account assets																	910	1,180	674	2,228	1,012	150

[a] Numbers have been restated on 2005-06 basis where possible. Numbers for 2001-02 forward are fully comparable. For the period 1992-93 to 2000-01 numbers are essentially comparable to the 2005-06 presentation with exception of the treatment of disposal of capital assets (in most years variance of less than $100 million). Prior to 1992-93, spending is on an expenditure basis, using actual capital numbers rather than capital amortization costs.

[b] Beginning in 1996-97, valuation adjustments have been allocated by function. In prior years, all valuation adjustments were included in other program expense. In 2007-08, $580 million of health and education capital projects are assumed to be alternatively financed. Only the financing costs for these projects are included in expense.

[c] Excludes pension obligations. Net debt was increased by $1,474 million in 1992-93 primarily for a provision for school construction debt, reduced by $125 million in 1993-94 to record personal income tax and established programs financing entitlements on an accrual basis, and increased by $32 million in 1995-96 to report some other revenues on accrual basis.

[d] Capital Assets information not available prior to 1992-93. In 1994-95, includes the disposal of $449 million in capital assets. (primarily transfer of secondary highways to municipalities). In 2001-02, includes $1.8 billion transfer of provincial secondary highway system from municipalities to the Province.

[e] Net of cash set aside for future debt repayments. In 2001-02, the amount of $5,261 million includes commitment of $414 million to debt retirement based on a higher-than-expected year end cushion. This amount was transferred in 2002-03 from other assets.

2005-08 CAPITAL PLAN

BUDGET 2005

Table of Contents

2005-08 Capital Plan 63
Capital Priorities 65
2005-08 Capital Plan Funding Sources 67
Capital Plan Details 70

LIST OF CHARTS AND TABLES

Interprovincial Comparison of Capital Expenditures 64
Capital Plan Support for $9.2 Billion of Capital Projects 65
Capital Plan Summary 66
Provincial Support for Capital Projects 68
Capital Plan Funding Sources 68
Capital Plan Summary by Function 70
Capital Plan Details 74

2005-08 Capital Plan

Quality infrastructure is an essential part of the government's 20-year strategic plan, *Today's Opportunities, Tomorrow's Promise*. Alberta's 2005-08 Capital Plan supports the infrastructure that will be needed to build the next Alberta. Each of the government's four areas of opportunity has integral capital infrastructure components supported in the 2005-08 Capital Plan. The following are examples of how the Capital Plan is linked to the government's 20-year strategy:

- ***Unleashing Innovation*** through:
  - completing the Health Research Innovation Centres at the University of Calgary and the University of Alberta, and
  - the National Institute for Nanotechnology at the University of Alberta.
- ***Leading in Learning*** through:
  - continuing work on over 100 school projects throughout Alberta;
  - the Centre for Apprenticeship Technologies at Northern Alberta Institute of Technology (NAIT);
  - the Banff Centre's Donald Cameron Hall;
  - the Cold Lake Campus for Portage College;
  - the Health Care Learning Centre at Grant MacEwan College, and
  - upgrading of facilities at the University of Alberta's Augustana Campus in Camrose.
- ***Competing in a Global Marketplace*** by:
  - completing the Leduc Agrivalue Processing Business Incubator, and
  - continuing the North-South Trade Corridor with its links through ring roads in Edmonton and Calgary.
- ***Making Alberta the Best Place to Live, Work and Visit*** through:
  - addition of $1.8 billion for infrastructure support to municipalities;
  - completion of upgrades to the two Jubilee Auditoria for Alberta's centennial in September;
  - finalizing planning and commencing construction of the new Provincial Museum of Alberta;
  - continuing construction of the Calgary Courts Centre;
  - health care projects, such as a new hospital in South Calgary, and
  - support for Alberta's heritage buildings and parks.

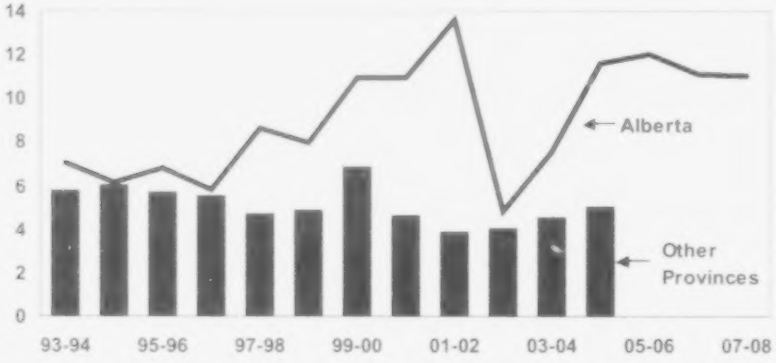
OVER $9 BILLION IN CAPITAL SUPPORT

Rapid economic and population growth has put considerable pressure on Alberta's infrastructure. The 2005-08 Capital Plan addresses the infrastructure challenge by providing $9.2 billion in support for Alberta's infrastructure needs over the next three years:

- $6.1 billion in support for local authorities' infrastructure. Local authorities include school boards, post-secondary institutions, health authorities, municipalities and other local authorities and organizations, and
- $3.1 billion investment in government-owned infrastructure.

Over the next three years, the government will support an average of $3 billion per year in capital projects. This compares to annual spending of $1 billion only a few years ago. Alberta's support for infrastructure as a percentage of total spending is considerably higher than the average of other provinces.

Interprovincial Comparison of Capital Expenditures
(% of total spending)



Source: Dominion Bond Rating Service Limited. The Canadian and Provincial Governments - 2004 Overview. September 2004. Alberta data for 2003-04 to 2007-08 has been updated by Alberta Finance to reflect the latest Capital Plan information.

Over one-third of the funding in the 2005-08 Capital Plan will be delivered to municipalities. Alberta's support for municipal infrastructure leads the way in Canada. This Capital Plan delivers on the first phase of the government's commitment to provide $3 billion in additional infrastructure support to municipalities.

Capital Priorities

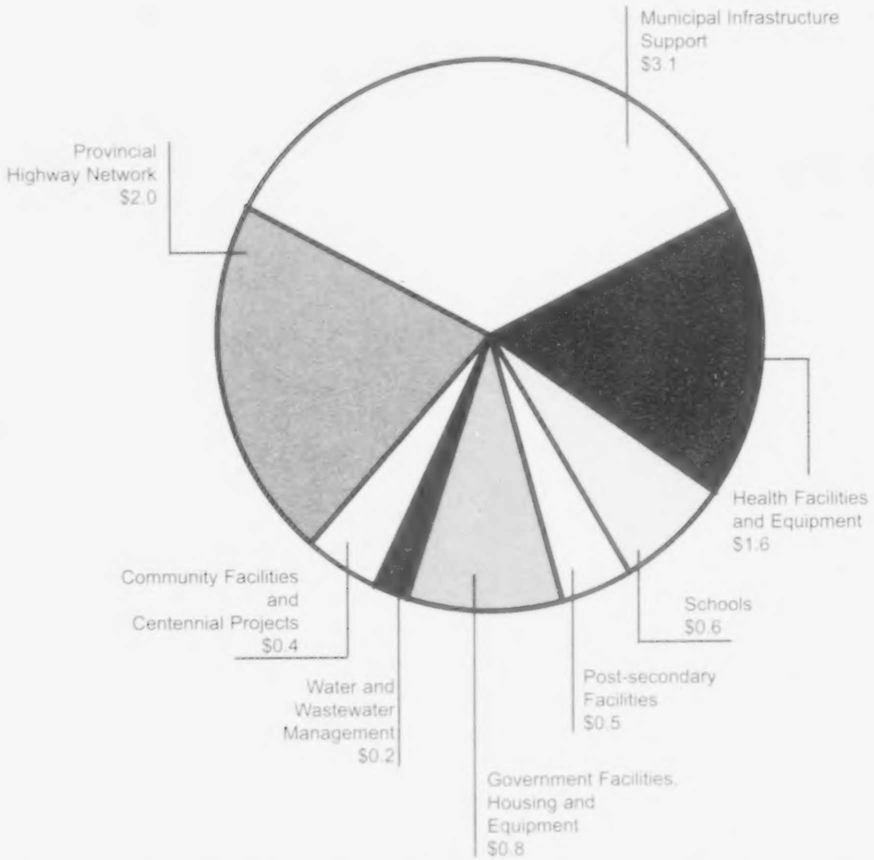
The 2005-08 Capital Plan commits $9.2 billion to provincial and local infrastructure over the next three years, which is over $2.7 billion higher than the $6.5 billion budgeted in the 2004-07 Capital Plan.

$1.8 billion of this additional $2.7 billion commitment is for the Municipal Infrastructure Program. Other increases include:

- new projects;
- cost pressures from the local construction market that is nearing capacity and higher world prices for commodities like steel, and
- scope increases on some projects.

The province will continue to manage its capital spending to ensure that Albertans get maximum value for the resources used.

Capital Plan Support for $9.2 Billion of Capital Projects
(billions of dollars)



Capital Plan Summary
(millions of dollars)

	2005-06 Estimate	2006-07 Target	2007-08 Target	3-year Total
Local Authorities' Capital				
Municipal infrastructure support	1,021	1,029	1,103	3,153
Health facilities and equipment	522	430	532	1,484
Schools	201	251	192	644
Post-secondary facilities	111	147	211	469
Community facilities and Centennial projects	82	46	46	174
Water and wastewater management	28	29	29	86
Government facilities, housing and equipment	51	29	6	86
	2,016	**1,961**	**2,119**	**6,096**
Government-Owned Capital				
Provincial highway network	684	636	650	1,970
Health facilities and equipment	39	38	35	112
Community facilities and Centennial projects	94	41	71	206
Water and wastewater management	30	28	27	85
Government facilities, housing and equipment	303	278	169	750
	1,150	**1,021**	**952**	**3,123**
Total Capital Plan	**3,166**	**2,982**	**3,071**	**9,219**

LOCAL AUTHORITIES' CAPITAL

The Capital Plan will support $6.1 billion of local authorities' capital projects and equipment purchases. Support has been focused in three areas – municipal infrastructure support, health and education.

MUNICIPAL INFRASTRUCTURE SUPPORT

- $3.1 billion for municipal infrastructure support, including:
  - $1.8 billion for the first 3 years of the new five-year, $3 billion Municipal Infrastructure Program;
  - $952 million for provincial transportation grants;
  - $160 million in federal funding for municipalities. The province will receive the funds from the federal government for the recently announced New Deal for Cities and Communities and will then allocate the funds to municipalities, and
  - $241 million in grants under programs such as the Canada/Alberta Municipal Rural Infrastructure Fund and the Infrastructure Canada/Alberta Program.

HEALTH AND EDUCATION

- $1.5 billion in grants to health authorities for facilities and equipment. Projects include support for the construction of the South Calgary Hospital, completion of expansions and upgrades in Edson, Lethbridge, Rimbey, and other locations, and ongoing maintenance and preservation funding;
- $644 million for schools. Projects include new facilities and upgrades in locations such as Buffalo Head Prairie, Calgary, Cold Lake, Devon, Edmonton and Rocky Mountain House, and

- $469 million for post-secondary projects that include the NAIT Centre for Apprenticeship Technologies, completing the Health Research Innovation Centres in Edmonton and Calgary, upgrades in Lethbridge, Red Deer and Medicine Hat, and other ongoing projects.

This Capital Plan will support the development of multi-purpose facilities like the Health Sciences Ambulatory Learning Centre, which is a joint Capital Health/University of Alberta project. The Centre will improve access to Capital Health ambulatory clinics, which will be integrated with teaching space for the University of Alberta's health sciences programs.

In addition to the municipal, health and education support, $346 million is allocated for grants for water and wastewater management, community facilities, centennial projects and housing, including $50 million for Rural Affordable Supportive Living.

GOVERNMENT-OWNED CAPITAL

$3.1 billion will be invested in government-owned capital, primarily in the provincial highway network. Investments will include:

- $1.3 billion for strategic economic corridors, including the Edmonton and Calgary ring roads, the North-South Trade Corridor, and highway system improvements in and to the Fort McMurray/Wood Buffalo area;
- $713 million for road construction, bridge construction, highway planning, and highway rehabilitation, and
- $1.1 billion for new or upgraded government facilities, parks, equipment, and information technology systems. Information technology projects include health systems development such as the electronic health record.

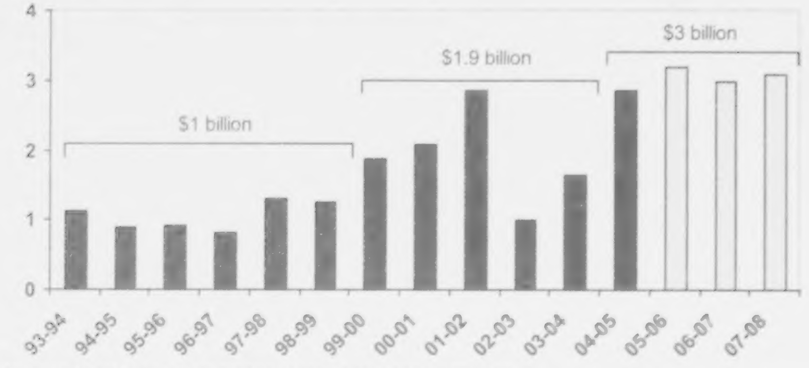
2005-08 Capital Plan Funding Sources

The fiscal framework, which was first introduced in *Budget 2003*, allows the government to address Alberta's infrastructure needs in a more predictable way. Previously, the amount allocated in a particular year for capital depended primarily on the resource revenue outlook for that year. The government now has the flexibility to formulate predictable, long-term capital commitments through the use of the Capital Account and alternative financing.

This approach has allowed a significant increase in the level of capital spending. The 2005-08 Capital Plan averages over $3 billion per year, almost three times the average of only a few years ago.

Provincial Support for Capital Projects

(billions of dollars)



Note: 2001-02 included pre-funding of capital spending for 2002-03.

The 2005-08 Capital Plan is funded from three sources:

- Current-year revenues – $3.3 billion which until recently was the only source of funding for capital;
- Capital Account – $4.6 billion, or 50% of the total Capital Plan, and
- Alternative financing – $1.3 billion, which includes public-private partnerships (P3s).

Capital Plan Funding Sources

(millions of dollars)

	2005-06 Estimate	2006-07 Target	2007-08 Target	3-year Total
Current-year revenue	1,348	916	998	3,262
Capital Account	1,709	1,753	1,157	4,619
Alternative financing:				
Local authorities' capital	26	10	580	616
Government-owned capital	83	303	336	722
Subtotal	109	313	916	1,338
Total Capital Plan Funding	3,166	2,982	3,071	9,219

CAPITAL ACCOUNT

The Capital Account, established in 2002-03, helps increase the predictability of capital spending by allowing surplus money in one year to be carried forward to pay for capital projects in future years. Over the last two years, the Capital Account has been used to fund nearly $2.3 billion in capital projects. Over the next three years, the Capital Account is expected to fund an additional $4.6 billion in capital projects.

ALTERNATIVE FINANCING

The 2005-08 Capital Plan assumes that $1.3 billion in capital projects will be financed through alternative financing:

- $616 million for approved local authorities' capital projects, and
- $722 million in provincial government-owned capital, including $347 million for the Edmonton Southeast Ring Road.

Alternative financing is borrowing, which is allowed for capital projects supported by the government. Borrowing can be in the form of government or local authority debt, capital leases or public-private partnerships. Alternative financing proposals including local authorities' projects to be funded by the province, must be assessed on their merits, using a business-case analysis.

Public-Private Partnerships (P3s)

Public-private partnerships come in many forms. P3s allow the government to access private sector expertise and innovation in constructing capital projects and can provide the opportunity to transfer design, financing, construction and operating risks. P3s will only be pursued where value for money can be achieved compared to traditional means of construction, financing and operating.

Alberta will account fully for all of its P3 projects. For capital leases, the government is reporting a capital asset equal to the net present value of future capital lease payments, together with an offsetting liability on its balance sheet, to recognize its obligations under the agreement with the private-sector partner. This is how the Edmonton Southeast Ring Road is reported in *Budget 2005*.

During 2004-05, it was determined that the Calgary Courts Centre P3 project, as initially designed, did not deliver enough value so the decision was made for government to finance the project. While the project is now to be financed by the government, a private consortium will design, construct, operate and maintain the asset for a 30-year period.

Local Authorities' Capital

The Capital Plan funding includes alternative financing of $616 million that will be incurred by local authorities for approved capital projects. The specific projects and methods of alternative financing are yet to be determined. The government will pay local authorities for the financing costs (principal and interest) of these approved projects.

Government-Owned Capital

The Edmonton Southeast Ring Road is Alberta's first highway constructed as a P3 and is part of the $722 million identified for alternatively financed government projects. A private consortium will design, finance, construct, operate and maintain the asset for a period of 30 years. The federal government will contribute $75 million to the cost of the project. The provincial government will start to make payments over the 30-year period when the road is open for travel. The net present value of the alternative financing for this project is estimated at $356 million. Construction of the road will commence this spring and it is scheduled to be open in October 2007. The road will be built to full freeway standards.

Other than the existing P3 for the Edmonton Southeast Ring Road, no other alternatively financed capital projects have been identified.

Capital Plan Details

Capital Plan Summary by Function
(millions of dollars)

	2005-06 Estimate	2006-07 Target	2007-08 Target	3-year Total
Municipal infrastructure support	1,021	1,029	1,103	3,153
Provincial highway network	684	636	650	1,970
Health facilities and equipment	561	468	567	1,596
Schools	201	251	192	644
Post-secondary facilities	111	147	211	469
Community facilities and Centennial projects	176	87	117	380
Water and wastewater management	58	57	56	171
Government facilities, housing and equipment	354	307	175	836
Total Capital Plan	**3,166**	**2,982**	**3,071**	**9,219**

MUNICIPAL INFRASTRUCTURE SUPPORT

A total of $3.1 billion over three years will be provided for municipal infrastructure support programs, including:

- $1.8 billion over three years as part of the new Alberta Municipal Infrastructure Program. This represents the first three years of the $3 billion commitment made to municipalities.
- $1.35 billion over three years will be provided for the following:
    - Municipal transportation grants of $952 million, including the grants based on 5 cents per litre of fuel delivered in Edmonton and Calgary; $60 per capita for other urban municipalities; formula-based grants for rural municipalities, and grants to municipalities to facilitate resource development.
    - Municipal water and wastewater grants totaling $118 million.
    - Federal funding for cities and communities totaling $160 million. The province is allocating the funding to municipalities.
    - Alberta's share of the Canada/Alberta Municipal Rural Infrastructure Fund, totaling $70 million and the Infrastructure Canada/Alberta Program, totaling $41 million. The programs are cost shared on an equal basis among the federal, provincial and municipal governments.
    - Assistance for waste disposal.
    - Grants to communities in National Parks.

PROVINCIAL HIGHWAY NETWORK

Investment in the provincial highway network will total just under $2 billion over the three years. Capital projects will include new highways, highway resurfacing and widening, interchange and intersection construction and improvements, and bridge work. Major projects over the next three years include:

- Twinning the North-South Trade Corridor. This trade corridor is one of Alberta's most important trade routes, linking Mexico, the United States and Canada. In Alberta, the CANAMEX Trade Corridor starts in Coutts in the south and goes north to Grande Prairie;
- Construction of the Southeast portion of the ring road in Edmonton;
- Construction of the Northwest portion of the ring road in Calgary, and
- Significant upgrades to Highways 63 and 881 in and to the Fort McMurray/Wood Buffalo area.

HEALTH FACILITIES AND EQUIPMENT

The three-year Capital Plan includes support for $1.6 billion in health facilities and equipment.

A total of $1.2 billion over three years will be provided for the construction and upgrading of health facilities. Projects include:

- Commencement of construction of the South Calgary Hospital;
- Commencement of construction of the joint-use Health Sciences Ambulatory Learning Centre in Edmonton;
- Completion of the Alberta Children's Hospital in Calgary and the Alberta Heart Institute in Edmonton, and
- Continued redevelopment of the:
    - Red Deer Regional Hospital;
    - Royal Alexandra Hospital in Edmonton;
    - First phase of the Foothills Medical Centre in Calgary;
    - First phase of the Peter Lougheed and Rockyview hospitals in Calgary, and
    - Completion of expansions and upgrades in Edson, Lethbridge, Rimbey, and other locations.

A total of $356 million over three years will be provided for health equipment and information systems development:

- $206 million is being provided for the Diagnostic Imaging Strategy, to improve digital imaging services through expanded digital networks, and for other health equipment acquisitions for which the federal government is transferring $50 million, and
- $150 million to develop health information systems, including the development of the electronic health record and a regional, shared health information system.

SCHOOLS

The Capital Plan will support $644 million over three years for school capital projects. Funds will be provided for over 100 previously committed modernization and expansion projects including:

- Victoria Composite School in Edmonton;
- Schools in Calgary, and
- A variety of other projects, for example, in Leduc, Airdrie, Didsbury, Okotoks, Fort McMurray, St. Albert, Fort Vermilion, St. Paul, Grande Prairie and Red Deer.

POST-SECONDARY FACILITIES

The Capital Plan will support a total of $469 million in post-secondary facilities expansion and upgrades over three years.

Projects commencing in 2005-08 include:

- The joint-use Health Sciences Ambulatory Learning Centre;
- Cold Lake Campus of Portage College;
- Facility upgrades at Lethbridge Community College, Red Deer College, Medicine Hat College, and Northern Lakes College, and
- Health Care Learning Centre at Grant MacEwan College in Edmonton.

Research facilities to be completed include the Health Research Innovation Centres and the National Institute for Nanotechnology.

COMMUNITY FACILITIES AND CENTENNIAL PROJECTS

The Capital Plan will provide $380 million over three years for community facilities and centennial projects, including:

- $117 million for the Community Facility Enhancement Program, which provides matching grants for building, purchasing, repairing and renovating family and community wellness facilities;
- $18 million for grants for exhibition facility redevelopment;
- $30 million for the Alberta Centennial Legacy Grants Program. In all three phases of this program, approximately $114 million has been awarded for 104 community-owned capital projects commemorating Alberta's centennial;
- $125 million in government centennial projects, including the Provincial Museum of Alberta and significant upgrades to the Northern and Southern Jubilee Auditoria;
- $5 million for seniors' lodges upgrades, and
- $79 million for provincial parks, including $13 million for the Canmore Nordic Centre which is being upgraded in preparation for the 2005 World Cup of Cross-Country Skiing, in December 2005.

WATER AND WASTEWATER MANAGEMENT

The Capital Plan includes $171 million over three years for water and wastewater management, including:

- $70 million for irrigation rehabilitation grants;
- $15 million for municipal wastewater assistance;
- $78 million for government-owned dams, canals and erosion control infrastructure, and
- $8 million for government water monitoring equipment.

GOVERNMENT FACILITIES, HOUSING AND EQUIPMENT

The Capital Plan will support $836 million over three years for other capital and information technology projects. Initiatives include:

- $237 million to continue construction of the Calgary Courts Centre;
- $50 million for Rural Affordable Supportive Living;
- $25 million for the Canada/Alberta Affordable Housing Agreement, of which the federal government provides 50%;
- $17 million for the Leduc Agrivalue Processing Business Incubator and the Level III Biocontainment Laboratory;
- $59 million for forest firefighting, to improve the air fleet, air tanker bases, equipment and other facilities;
- information technology upgrades, and
- government facility upgrades.

Capital Plan Details

(millions of dollars)

	2005-06 Estimate	2006-07 Target	2007-08 Target	3-Year Total
Municipal Infrastructure Support				
Alberta Municipal Infrastructure Program	600	600	600	1,800
Alberta Cities Transportation Partnerships	200	204	226	630
Rural transportation partnerships	61	58	62	181
Streets improvement program	31	31	31	93
Resource road programs	16	16	16	48
Municipal water and wastewater grants	32	32	54	118
Federal funding for cities and communities	40	40	80	160
Canada/Alberta Municipal Rural Infrastructure Fund	10	30	30	70
Infrastructure Canada/Alberta Program	27	14	-	41
Waste management assistance	1	1	1	3
Special Infrastructure Assistance Program	3	3	3	9
Total Municipal Infrastructure Support	**1,021**	**1,029**	**1,103**	**3,153**
Provincial Highway Network				
Strategic Economic Corridors				
Rural North-South Trade Corridor	71	33	74	178
Urban North-South Trade Corridor	25	22	37	84
Edmonton Ring Road	196	180	141	517
Calgary Ring Road	51	111	82	244
Other economic corridors	80	71	83	234
Subtotal Strategic Economic Corridors	423	417	417	1,257
Highway construction	148	141	141	430
Highway Rehabilitation and Planning	113	78	92	283
Total Provincial Highway Network	**684**	**636**	**650**	**1,970**
Health Facilities and Equipment				
Health facilities expansion and upgrading	392	369	479	1,240
Diagnostic and medical equipment	102	52	52	206
Health information systems	67	47	36	150
Total Health Facilities and Equipment	**561**	**468**	**567**	**1,596**
Schools				
School facilities expansion and upgrading	201	251	192	644
Total Schools	**201**	**251**	**192**	**644**
Post-secondary Facilities				
Post-secondary facilities expansion and upgrading	111	147	211	469
Total Post-secondary Facilities	**111**	**147**	**211**	**469**

Capital Plan Details - *continued*

(millions of dollars)

	2005-06 Estimate	2006-07 Target	2007-08 Target	3-Year Total
Community Facilities and Centennial Projects				
Community Facility Enhancement Program	39	39	39	117
Edmonton and Calgary exhibition redevelopment	6	6	6	18
Centennial legacy and heritage infrastructure grants	32	2	2	36
Government Centennial projects	61	15	49	125
Seniors' lodges	5	-	-	5
Provincial parks upgrading	33	25	21	79
Total Community Facilities and Centennial Projects	**176**	**87**	**117**	**380**
Water and Wastewater Management				
Irrigation rehabilitation grants	22	24	24	70
Infrastructure Assistance for Municipal Wastewater	5	5	5	15
Government water management infrastructure	28	25	25	78
Government water monitoring systems	3	3	2	8
Total Water and Wastewater Management	**58**	**57**	**56**	**171**
Government Facilities, Housing and Equipment				
Calgary Courts Centre	114	98	25	237
Rural Affordable Supportive Living	26	24	-	50
Canada/Alberta Affordable Housing Agreement	25	-	-	25
Leduc Agrivalue Processing Business Incubator	12	-	-	12
Level III Biocontainment Laboratory	5	-	-	5
Other government facilities and equipment	172	185	150	507
Total Government Facilities, Housing and Equipment	**354**	**307**	**175**	**836**
Total Capital Plan	**3,166**	**2,982**	**3,071**	**9,219**

ECONOMIC OUTLOOK

BUDGET 2005

Table of Contents

Economic Outlook 79

LIST OF TABLES AND CHARTS

Key Energy and Economic Assumptions 79
Manufacturing Sector Gains Momentum 80
Alberta Leads in Retail Sales 81
Lowest Unemployment Rate in Canada 81
Alberta's Healthy Economic Growth to Continue 85
Alberta's Investment Advantage Strengthens 87
Sensitivities to Fiscal Year Assumptions, 2005-06 88
Strongest Global Growth in Decades 89
Rising Dollar Affects Canadian Economic Growth 89
Canadian Job Growth Remains Steady 90
Inflation Remains Low 90
Canada-U.S. Interest Rate Spread Eliminated 91
Canadian Dollar Reaches a 12-Year High 91
Oil Prices Reach Record Highs 92
Natural Gas Prices Remain High 92
Conventional Energy Sector Sees Record Activity 93
Non-Conventional Oil Still Growing 93
Oil Sands Investment Remains High 94
Business Investment Sustains Healthy Economic Growth 94
Alberta's Exports Remain Strong 95
Manufacturing and Services Exports Growing 95
Wage Levels Among Highest in Canada 96
Highest Disposable Income in Canada 96
Housing Starts Remain Strong 97
Alberta Job Growth to Remain Strong 97
Interprovincial Migration Levels Moderating 98
Lowest Unemployment Rate in Canada 98
Oil Price Forecast Benchmark 99
Tracking the Forecasts of Oil Prices 99
Natural Gas Price Forecast Benchmark 100
Tracking the Forecasts of Natural Gas Prices 100
Canadian Short-Term Interest Rate Forecast Benchmark 101
Canadian Long-Term Interest Rate Forecast Benchmark 101
Canada/United States Exchange Rate Forecast Benchmark 102
Alberta Real Gross Domestic Product Forecast Benchmark 102
Announced Major Projects Over $100 Million 103

Economic Outlook

The Alberta economy turned in an impressive performance in 2004, leading all provinces with real (inflation adjusted) economic growth estimated at 4.4%. Economic gains were widespread, with the energy, manufacturing and retail sectors all experiencing strong growth. Alberta also enjoyed the highest personal income growth and lowest unemployment rate in Canada, as well as very low inflation.

In 2005, Alberta's economic growth is expected to moderate to a still-robust 3.7%, as energy prices recede from their recent highs. Over the medium term, growth is expected to average 3.1%, with declining natural gas production and reduced population growth moderating the pace of economic expansion to some degree. Alberta will remain a full-employment economy, with the province's unemployment rate expected to average 4.3% from 2005 through 2008.

Key Energy and Economic Assumptions

Fiscal Year Assumptions	2002-03 Actual	2003-04 Actual	2004-05	2005-06	2006-07	2007-08
Prices						
Crude Oil Price						
WTI (US$/bbl)	29.04	31.38	45.03	42.00	32.00	31.00
Alberta Wellhead (Cdn$/bbl)[a]	39.40	36.40	48.07	43.08	31.72	30.66
Natural Gas Price						
Alberta Reference Price (Cdn$/mcf)	4.98	5.75	6.38	5.91	5.69	5.48
Alberta Reference Price (Cdn$/GJ)	4.72	5.45	6.05	5.60	5.40	5.20
Production						
Conventional crude oil (000's barrels/day)	650	619	590	554	530	513
Non-conventional crude oil (000's barrels/day)	730	882	981	1,055	1,308	1,396
Natural gas (billions of cubic feet)	5,352	5,226	5,246	5,139	5,006	4,866
Interest rates						
3-month Canada treasury bills (per cent)	2.77	2.70	2.28	2.90	3.80	4.50
10-year Canada bonds (per cent)	5.18	4.68	4.52	4.50	5.25	6.00
Exchange Rate (US¢/Cdn$)	64.6	74.0	78.4	83.5	85.0	85.0

Calendar Year Assumptions	2003 Actual	2004 Actual	2005	2006	2007	2008
Gross Domestic Product						
Nominal (millions of dollars)	170,803	191,886[b]	202,583	210,035	216,282	226,469
per cent change	13.4	12.3	5.6	3.7	3.0	4.7
Real (millions of 1997 dollars)	129,553	135,308[b]	140,347	144,933	149,302	153,558
per cent change	2.7	4.4	3.7	3.3	3.0	2.9
Other Indicators						
Employment (thousands)	1,717.9	1,757.9	1,791.3	1,825.3	1,858.2	1,891.6
per cent change	2.8	2.3	1.9	1.9	1.8	1.8
Unemployment rate (per cent)	5.1	4.6	4.5	4.4	4.2	4.0
Housing starts (number of units)	36,171	36,270	34,200	32,300	31,200	30,500
Alberta Consumer Price Index (per cent change)	4.4	1.4	1.7	1.9	1.9	1.9
Population (thousands)	3,158.6	3,201.9	3,248.0	3,296.4	3,345.1	3,394.1
per cent change	1.4	1.4	1.4	1.5	1.5	1.5

[a] refers to the average price per barrel of Alberta light, medium and heavy oil

[b] estimated

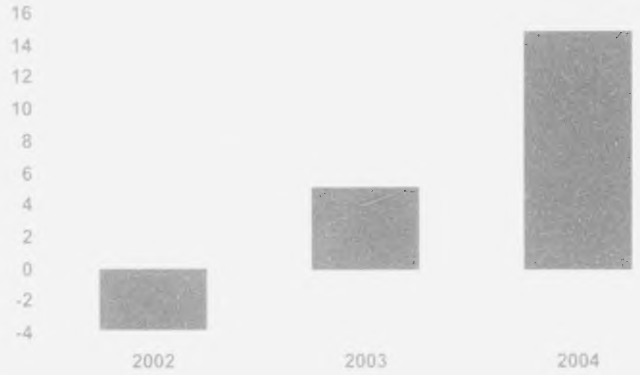
ALBERTA IN 2004

The Alberta economy grew by an estimated 4.4% in 2004 – the best performance of any province. While a thriving energy sector remained an important engine of growth, Alberta's impressive economic gains in 2004 came from several sources.

Energy and Manufacturing Highlight Broad Economic Gains

- Alberta's energy sector enjoyed another banner year in 2004, supported by oil prices that reached record highs and averaged US$41.40 per barrel for the year (up from US$31 in 2003). Following a dramatic upswing in 2003, conventional energy sector investment strengthened further last year, with the average number of rigs drilling rising 4.8% to a record high of 329. Oil sands investment increased by about $1 billion, to an estimated $6.1 billion in 2004.
- The manufacturing sector showed impressive gains in 2004. Alberta's manufacturing shipments rose by 14.8% – well above the national growth rate of 8.4%. Sectors experiencing strong gains included machinery (+22.7%), chemicals (+16.4%), fabricated metals (+14.5%), and wood products (+27.8%).

MANUFACTURING SECTOR GAINS MOMENTUM
Manufacturing Shipments (per cent change)



Source: Statistics Canada

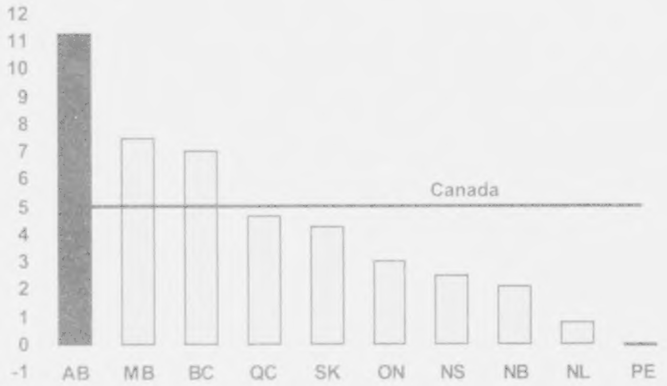
- With manufacturing leading the way, Alberta's international exports rose sharply in 2004, despite a strong Canadian dollar. The value of Alberta's international exports rose by 16.6% in 2004. Manufacturing exports increased by 21.0%, while energy exports were up by 15.3%. Strong global demand generated significant increases in both prices and export volumes, with total real exports rising by an estimated 4.7%.

Highest Income and Retail Sales Growth and Lowest Unemployment in Canada

- Albertans enjoyed healthy personal income gains in 2004. Alberta led all provinces with wage and salary growth of 6.5% in 2004, well above the national average of 3.9%.

- Rapid income growth contributed to a remarkable year for Alberta's retail sector. Alberta led the country in retail sales growth in 2004, with sales up 11.3%, compared to national growth of 5.0%. On a per capita basis, Alberta's retail sales remained by far the highest in Canada, 26% above the national average.

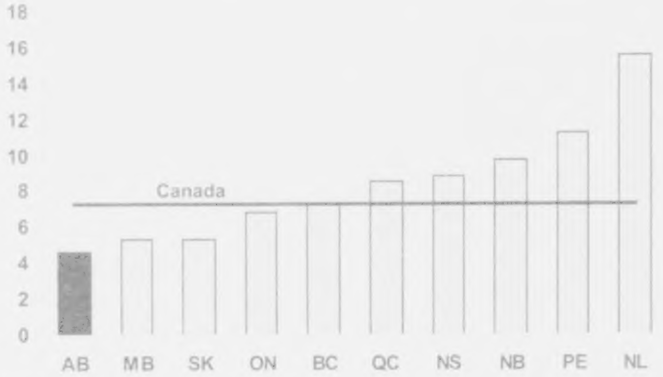
ALBERTA LEADS IN RETAIL SALES
Retail Sales (per cent change, 2004)



Source: Statistics Canada

- In 2004, Alberta's unemployment rate averaged just 4.6%, the lowest in Canada and down from 5.1% in 2003. The Alberta economy created 40,000 jobs, for employment growth of 2.3%. Sectors experiencing the largest job gains were construction (+15,700), oil, gas and mining (+10,300) and retail trade (+10,300).

LOWEST UNEMPLOYMENT RATE IN CANADA
Unemployment Rate (per cent, 2004)



Source: Statistics Canada

Other Developments

- Alberta's housing sector continued its strong run, with new housing activity remaining near the 20-year high recorded in 2002. Last year, Alberta's housing starts were essentially unchanged from 2003 levels, at 36,270 starts. This level was 16% above the most recent 5-year Alberta average of 31,162 starts.

- The agricultural sector continued to face significant challenges, with BSE having substantial economic impacts. Overall growing conditions improved significantly, although crop quality was reduced in some regions by an early frost. Farm cash receipts were up 16.0% in 2004, supported primarily by higher crop receipts. Government program payments increased by 5.2%, reaching a record high of $1.4 billion.
- Despite rapid economic growth and very low unemployment, Alberta's CPI inflation rate fell to only 1.4% in 2004. This was down sharply from a 4.4% rate in 2003, which was caused mainly by inflation measurement anomalies associated with natural gas rebates, as well as higher automobile insurance premiums and tobacco prices.
- For the eighth consecutive year, Alberta had the highest level of net interprovincial migration in Canada, with a net increase of almost 11,000 persons in 2004. At 1.4%, Alberta once again led all provinces in population growth.

GLOBAL ECONOMIC OUTLOOK

The world economy is coming off its best performance in over two decades. In 2004, global economic growth was exceptionally strong at an estimated 4.8%, fuelled by strong growth in Asia (China in particular) and the United States. China's economy expanded by an estimated 9.5% in 2004, while U.S. economic growth was also robust at 4.4%. Strong global growth was achieved despite a substantial rise in energy prices, with the price of oil touching a then-record high of more than US$55 in 2004, and averaging US$41.40 for the year.

The emergence of China as a major force in the global economy became increasingly apparent in 2004. Home to one-fifth of the world's population, China's economy has expanded by over 25% in real terms over the past three years alone. The impact of this expansion was felt with particular force on global commodity markets in 2004. China's oil demand rose by 18% last year, accounting for almost 40% of the total increase in global oil demand.

Looking forward, the global economic outlook remains essentially positive. World economic growth is expected to remain strong in 2005, at over 4%. Growth in both China and the United States is expected to moderate slightly, but remain robust. Economic growth in Japan and the Euro area is expected to remain relatively sluggish, due, in significant measure, to the effects of appreciating currencies.

U.S. Growth Prospects Solid in the Near Term

While U.S. economic growth is expected to subside somewhat in 2005, most indicators point to a continuation of solid growth in the near-to-medium term. U.S. growth is forecast to moderate from 4.4% in 2004 to 3.5% in 2005. The current U.S. expansion should be sustained by a continued recovery in business investment and rising U.S. exports, the latter attributable to a continued depreciation of the U.S. dollar. Over the medium term, U.S. growth is expected to average about 3% annually.

The U.S. Federal Reserve Board displayed growing confidence in the U.S. economic recovery in 2004, raising the Federal Funds rate from 1.0% at the beginning of the year to 2.25% by year's end. In 2005 and beyond, a continued tightening of U.S. monetary policy is anticipated, with U.S. short-term interest rates expected to increase at a steady pace, returning to more normal historical levels in the 4 to 5% range.

U.S. Imbalances Remain a Risk

Despite the global decline in the U.S. dollar in 2004, the U.S. trade and current account deficits remained unsustainably high, with the current account deficit reaching a record high of $666 billion (5.7% of GDP) in 2004. Concerns with the U.S. current account are compounded by the large U.S. budget deficit, which came in at $567 billion[1] in 2004 despite very strong U.S. economic growth.

There is some risk that market concerns with the current account and budget deficits could lead to greater volatility in currency markets, possibly leading to a full-scale flight from the U.S. dollar. This, in turn, could cause a large spike in U.S. interest rates, with significant U.S. and global economic consequences. Near the end of 2004, currency markets displayed heightened concerns with the U.S. "twin deficits," driving the U.S. dollar to multi-year lows against several currencies.

The Alberta budget forecast assumes that appropriate U.S. policy measures will be enacted to address these risks.

Canadian Economy Faces Adjustments to a Higher Dollar

Like many other countries, Canada faces significant economic adjustments as a result of the dramatic decline in the U.S. dollar. From the start of 2003 to the end of 2004, the Canadian dollar rose from 63.5 cents US to 83.1 cents US, an increase of 31%.

While the Canadian economy achieved respectable economic growth estimated at 2.8% in 2004 (up from 2.0% in 2003), there were signs of weakness in the latter part of the year, especially in exports.

Canada's annual inflation rate fell to 1.9% in 2004, down from 2.8% in 2003. With inflation remaining well within the Bank of Canada's target range of 1 to 3%, and with recent signs of slack in the Canadian economy, monetary policy remains accommodating. The Bank of Canada's overnight rate fluctuated somewhat during 2004, ending the year at 2.5% (down from 2.75% at the beginning of 2004). In view of recent economic developments, the Bank of Canada is not expected to raise its overnight rate until the second half of 2005, at the earliest.

With the U.S. Federal Funds rate rising by an additional 50 basis points in the first quarter of 2005, U.S. interest rates surpassed Canadian rates for the first time since 2001. The spread between Canadian and U.S. short-term interest rates has changed dramatically over the past 15 months, falling from +175 basis points at the beginning of 2004 to -25 basis points in late March of 2005. With further U.S. rate increases anticipated in the first half of 2005, the negative Canada-U.S. interest rate spread is expected to widen over the next few months.

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[1] On-budget deficit (not including transfers from the Social Security trust fund)

Changes in Canada-U.S. interest rate spreads are expected to stem the rise of the Canadian dollar, at least in the short term. The Canadian dollar is forecast to remain near its present level, averaging close to 83 cents US in 2005. Over the medium term, as Canada's economic growth picks up and Canadian interest rates rise – and with a continued global depreciation in the U.S. dollar – the Canadian dollar is forecast to appreciate further, reaching 85 cents US in 2006.

Canada's real economic growth is forecast at 2.7% in 2005, essentially unchanged from 2004. Over the medium term, Canadian growth is expected to improve to an average of 3.0% annually. With strong economic and fiscal fundamentals, including the lowest debt-to-GDP ratio among the G-7 countries and a strong current account balance (+2.6% of GDP in 2004), Canada is well positioned for a successful adjustment to developments in the global economy.

Energy Outlook

Following rapid increases in 2004, with oil prices averaging a record annual high of US$45.03 in 2004-05, oil prices are expected to moderate over the forecast period as global production rises in response to historically high prices. Prices are forecast to decline to US$42 in 2005-06, US$32 in 2006-07 and US$31 in 2007-08. The long-term price forecast of US$30 represents a US$5 per barrel increase over the forecast price in Budget 2004, reflecting a stronger global oil demand outlook.

With world oil prices expected to decline over the forecast period, the price of natural gas is also expected to decline, albeit to a lesser degree. After averaging an estimated $6.05 per gigajoule (GJ) in 2004-05 (a record annual high), the price of natural gas is forecast to decline to $5.60 per GJ in 2005-06, moderating further to $5.40 in 2006-07 and $5.20 in 2007-08. These forecast prices remain substantially above the most recent 5-year average price of $4.44 per GJ.

ALBERTA ECONOMIC OUTLOOK

Strong Momentum Carries Over into 2005

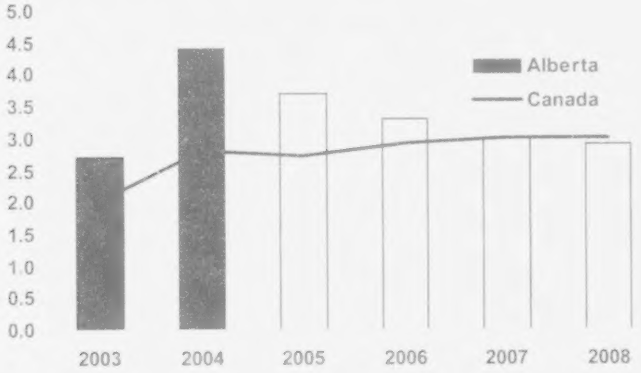
The current momentum of the Alberta economy is expected to carry over into 2005. Continued strong growth in personal incomes and investment are expected to sustain above-average economic growth of 3.7% this year.

Solid Medium Term Growth Prospects

In the medium term, Alberta is expected to continue to enjoy healthy economic growth, albeit at a more moderate pace, averaging 3.1% from 2006 through 2008.

Alberta's outstanding economic and fiscal fundamentals, which include the lowest overall taxes in Canada and no accumulated provincial debt, provide a strong foundation for future economic growth. At the same time, there are some emerging developments in the Alberta economy that are expected to alter the sources of Alberta's growth over the medium and longer term. These developments include declining natural gas production and slower population growth.

ALBERTA'S HEALTHY ECONOMIC GROWTH TO CONTINUE
Alberta and Canadian GDP Growth (per cent change)



Source: Statistics Canada and Alberta Finance

Sources of Alberta's Economic Growth Are Changing

With Alberta's natural gas production presently in decline due to diminishing reserves, natural gas is not expected to be a future source of growth for the Alberta economy, as it has been over much of the past two decades. While Alberta's natural gas production rose by an average of 5.2% annually between 1990 and 2000 (for a total production increase of 66%), production has declined by an estimated 3.5% since 2001. Although non-conventional natural gas (e.g. natural gas in coal) offers significant potential for the future, there remains a high degree of uncertainty regarding the feasibility of large-scale production from these alternative sources.

The contribution of non-energy exports to Alberta's economic growth has become increasingly evident over the past decade. Manufacturing and services exports accounted for 68% of Alberta's total real exports in 2003 (up from 57% in 1993), reflecting the growing diversification of the Alberta economy.

In recent years, improved economic conditions in other regions of Canada have led to a moderation in the pace of migration to Alberta. In 2003 and 2004, net inter-provincial migration to Alberta averaged about 11,400 per year – still the highest of any province, but down considerably from recent historical levels (net migration averaged over 27,000 persons annually from 1997 through 2002). This development slowed Alberta's population growth, which at 1.4% in 2004 was still the highest in Canada, but down from an average of 2.0% during the 1997-2002 period. These changing migration and population patterns are expected to change the nature of Alberta's economic growth over the forecast period.

With these emerging trends, Alberta will rely increasingly on business investment, consumer spending, and non-energy exports as the key sources of future economic growth.

Sector Highlights

Robust growth should continue in Alberta's consumer/household sector, supported by strong economic conditions, including low unemployment and healthy income gains. Consumer spending is expected to increase by 3.7% annually in real terms through 2008. One moderating influence on growth during the forecast period will be new housing activity, which is expected to recede gradually from its current high pace, with housing starts declining from 36,270 in 2004 to a projected 30,500 in 2008.

With an anticipated moderation in U.S. import demand over the forecast period due to both slightly lower U.S. economic growth and the impact of a depreciating U.S. dollar, Alberta exports are forecast to grow at an average rate of 2.7% annually (in real terms) through 2008. While solid, this is below the estimated 4.7% real growth rate achieved in 2004.

Alberta's employment market will remain strong, with the unemployment rate expected to average just 4.3% over the forecast period. Employment growth is forecast to remain healthy, averaging 1.9% annually through 2008, constrained primarily by the growth rate of Alberta's population and labour force.

The growth outlook for Alberta's agricultural sector remains highly uncertain. In view of the significant uncertainties associated with Canadian live cattle trade, as well as post-BSE infrastructure constraints (for example, reduced trucking capacity), only modest increases in livestock receipts are incorporated into the forecast in 2005, with further gradual improvements in future years. If, however, live cattle exports return to pre-BSE levels more rapidly than anticipated, near-term growth prospects for Alberta's agricultural sector could improve substantially.

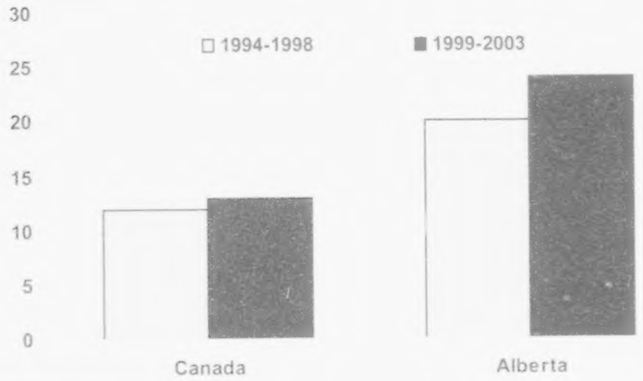
Inflation is expected to remain low. While some additional wage pressures are anticipated as Alberta's already-low unemployment rate declines even further over the forecast period, these pressures should be offset to some degree by lower costs for imported goods, due to a higher Canadian dollar. Alberta's inflation rate is expected to average just 1.9% annually through 2008.

Alberta's Investment Strength Points to a Healthy Economic Future

Alberta has historically enjoyed a strong advantage within Canada in terms of investment, with real business investment averaging about 20% of the province's economic output. The comparable national average has generally been in the range of 10 to 12% of GDP. Investment is an important contributor to growth, increasing current economic output and employment, and raising productivity on an ongoing basis.

In recent years, Alberta's investment advantage has strengthened even further. For the most recent 5-year period, Alberta's real business investment has averaged a remarkable 24% of GDP.

ALBERTA'S INVESTMENT ADVANTAGE STRENGTHENS
Real Business Investment as Share of GDP (per cent, 5-year average)



Source: Statistics Canada

Alberta business investment is expected to show continued strong growth over the forecast period, sustained by an unmatched investment climate with low tax rates and sensible regulation. Investment will be further supported by lower costs for imported machinery and equipment, due to the higher Canadian dollar. Through 2008, Alberta's business investment is projected to grow by an average of 5.5% annually in real terms.

These developments suggest that Alberta will retain its position as Canada's most dynamic and prosperous economy. The Alberta economy is exceptionally well positioned to continue its evolution into a mature and increasingly diversified economy, with investment, innovation and productivity gains providing the foundation for sustained healthy economic growth.

RISKS

- A greater than expected decline in world energy prices could have a negative impact on Alberta's energy sector. On the other hand, if energy prices remain at historically high levels, prospects for global economic growth could be negatively affected.
- A further substantial appreciation of the Canadian dollar would have a negative effect on export volumes, and thus economic growth. In addition, provincial oil and gas revenues would decline, due to lower returns for energy exporters.
- Since energy exports are transacted in U.S. dollars, higher energy prices are required to achieve a given financial return for Alberta producers. With the U.S. dollar depreciating by more than 20% against the Canadian dollar over the past two years, a US$30 price for a barrel of oil today is roughly equivalent to a price of US$25 two years ago.

- Developments regarding BSE remain a risk factor for the agricultural outlook. Since the forecast assumes only a very gradual increase in live cattle exports, an accelerated recovery in this sector would improve the outlook for the agricultural sector and economic growth.
- The U.S. budget and current account imbalances represent a continuing risk to the forecast, with the potential to significantly reduce U.S. and global economic growth in the medium term.

Sensitivities to Fiscal Year Assumptions, 2005-06[a]

(millions of dollars)

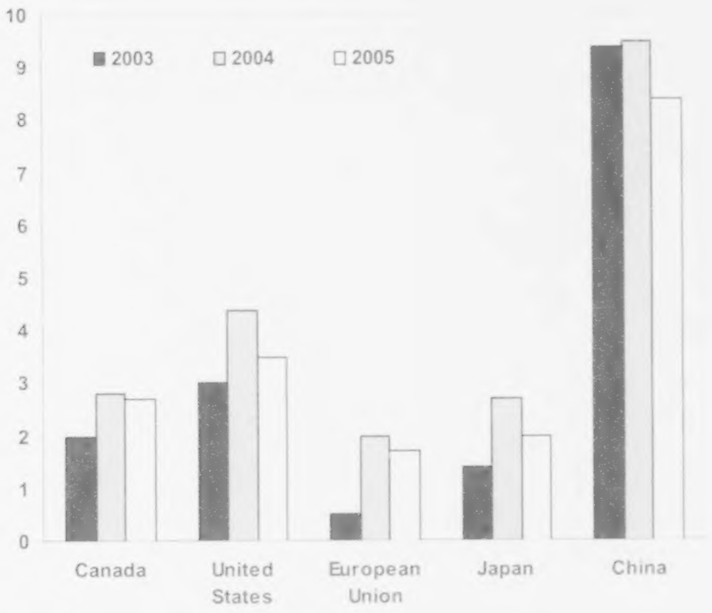
	Annual Change	Revenue	Spending	Net Change
Oil Price (WTI US$/bbl)	-$1.00	-99	--	-99
Natural Gas Price (Cdn$/GJ)	-10¢	-99	--	-99
Exchange Rate (US¢/Cdn$)	+1¢	-117	-2	-115
Interest Rates	+1%	-85	+5	-90

[a] Sensitivities are based on current assumptions of prices and rates and show the effect for a full 12 month period. Sensitivities can vary significantly at different price and rate levels. The energy price sensitivities do not include the potential impact of price changes on the revenue from land sales. The interest rate sensitivity has two components, an increase in cash interest income and a capital loss. When interest rates rise, bond prices go down, causing a capital loss.

STRONGEST GLOBAL GROWTH IN DECADES

Real Gross Domestic Product (per cent change)

- In 2004, the global economy had its strongest performance in over two decades, expanding by an estimated 4.8% in real terms.
- China continued its emergence as a major economic power, playing a key role in global economic developments in 2004. China's real economic growth was an estimated 9.5%.
- The United States also enjoyed robust growth of 4.4%, its strongest performance in 5 years. U.S. growth was supported by a continued recovery in business investment and strong consumer spending.

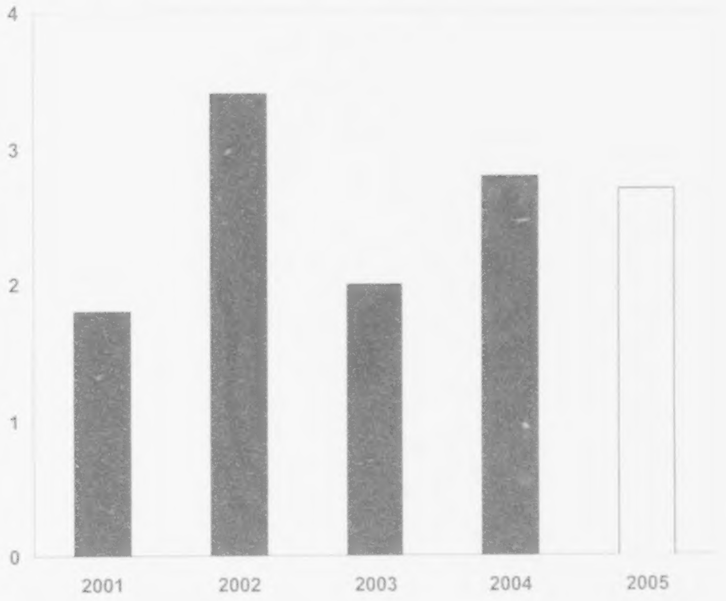


Source: International Monetary Fund, U.S. Department of Commerce and Alberta Finance

RISING DOLLAR AFFECTS CANADIAN ECONOMIC GROWTH

Canadian Real GDP (per cent change)

- In 2004, the continued rise of the Canadian dollar had a discernible impact on Canada's economic growth.
- Canada's real economic growth was a respectable 2.8% in 2004. Growth was constrained by a decline in exports in the latter half of the year, attributable largely to the higher Canadian dollar.
- While the Canadian economy remains fundamentally sound, adjustments to the high dollar are expected to constrain Canada's growth in the near term. Economic growth is forecast at 2.7% in 2005, rising to an average of 3.0% over the medium term.

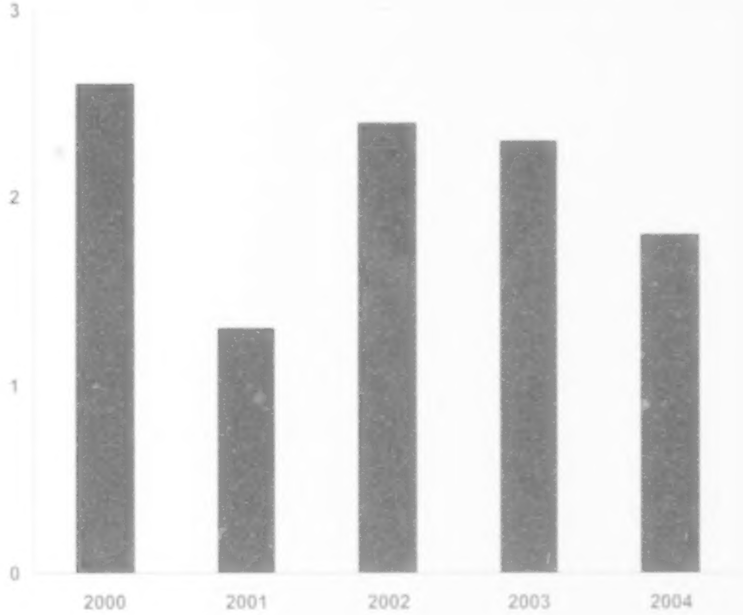


Source: Statistics Canada and Alberta Finance

CANADIAN JOB GROWTH REMAINS STEADY

Canadian Employment Growth (per cent change)

- Despite losses in export-sensitive industries such as manufacturing, the Canadian employment market remained solid in 2004, creating 284,600 jobs, for employment growth of 1.8%.
- With continued steady job gains, Canada's unemployment rate fell from 7.3% in January 2004 to 7.0% in December. The annual unemployment rate of 7.2% was the lowest in 3 years.

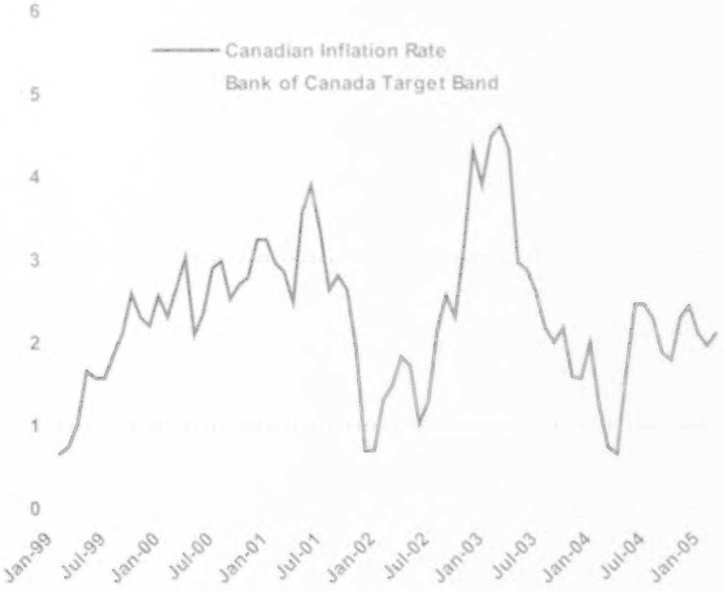


Source: Statistics Canada

INFLATION REMAINS LOW

Consumer Price Index (per cent change)

- Despite a large jump in energy prices, Canada's inflation rate remained low in 2004. The annual CPI inflation rate fell from 2.8% in 2003 to 1.9% in 2004, remaining well within the Bank of Canada's target band of 1 to 3 per cent.
- Alberta enjoyed very low CPI inflation in 2004, at just 1.4% (down from 4.4% in 2003).
- The Bank of Canada expects core inflation to remain below 2% into late 2005, due to modest underlying price pressures and spare capacity in the Canadian economy.

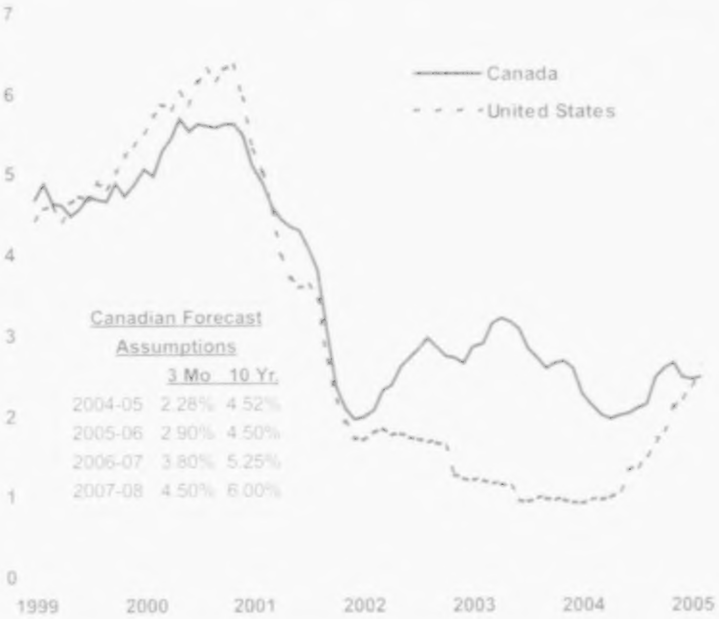


Source: Statistics Canada

- The U.S. Federal Reserve raised the Federal Funds rate from 1.0% at the beginning of 2004 to 2.75% in early 2005.
- With the Bank of Canada lowering its overnight rate from 2.75% to 2.5%, the spread between Canadian and U.S. interest rates fell from +175 basis points at the beginning of 2004 to -25 basis points by late March of 2005.
- The Federal Reserve is expected to continue to raise interest rates throughout 2005, while the Bank of Canada is expected to remain cautious through the first half of the year, due to recent signs of slack in the Canadian economy.

CANADA-U.S. INTEREST RATE SPREAD ELIMINATED

3-month Treasury Bills (per cent)



Canadian Forecast Assumptions

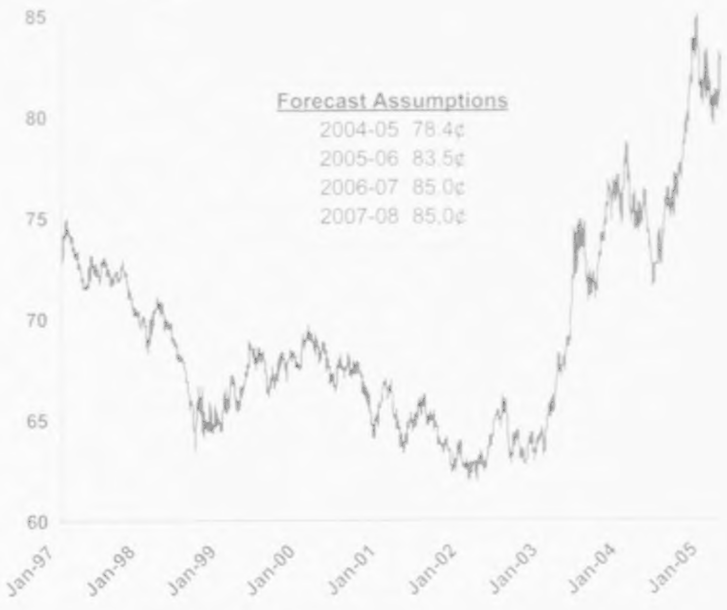
	3 Mo	10 Yr.
2004-05	2.28%	4.52%
2005-06	2.90%	4.50%
2006-07	3.80%	5.25%
2007-08	4.50%	6.00%

Source: Bank of Canada, Federal Reserve Bank of St. Louis and Alberta Finance

- Despite narrowing Canada-US interest rate spreads, the Canadian dollar continued to appreciate in 2004, touching a 12-year high of 85 cents US in November. The Canadian dollar has risen from a low of 63.5 cents at the start of 2003.
- The rapid increase in the Canadian dollar was part of a global phenomenon, which saw the U.S. dollar decline against most major world currencies.
- With the U.S. dollar expected to decline further on global currency markets in the medium term, the Canadian dollar is expected to remain strong over the forecast period, rising to 85 cents US in 2006 as Canada's economic growth strengthens.

CANADIAN DOLLAR REACHES A 12-YEAR HIGH

Canadian Exchange Rate (US¢/Cdn$)



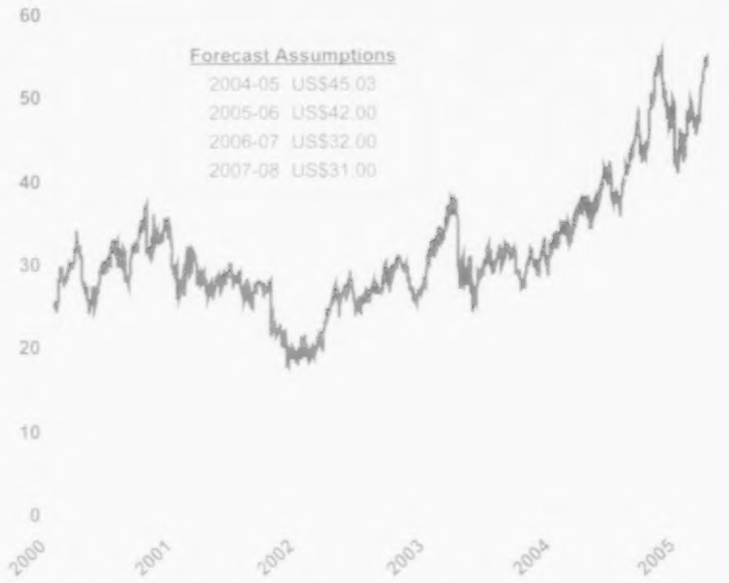
Forecast Assumptions

2004-05	78.4¢
2005-06	83.5¢
2006-07	85.0¢
2007-08	85.0¢

Source: Bank of Canada and Alberta Finance

OIL PRICES REACH RECORD HIGHS

WTI Price (US$/bbl, daily)

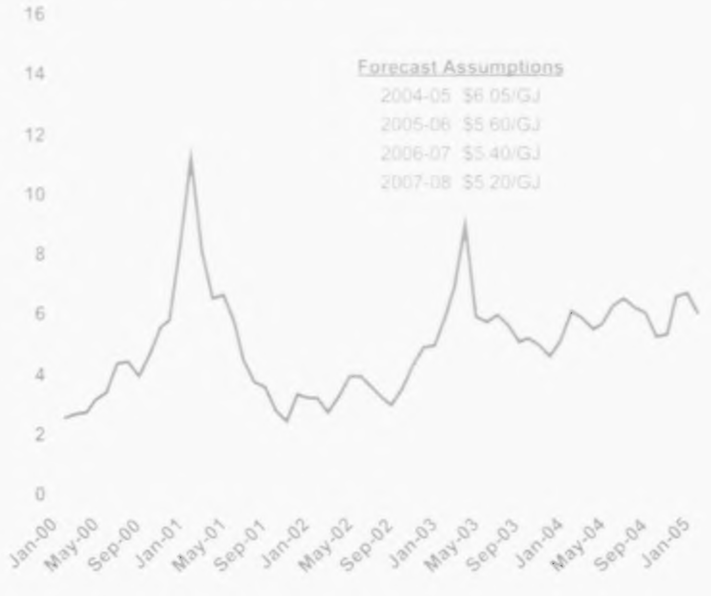


Source: Alberta Energy

- As a result of robust global economic growth, particularly in China, world oil prices rose sharply in 2004, touching a then-record high of US$55, and averaging US$45.03 in 2004-05.
- Concerns regarding supply disruptions in Iraq, Nigeria and Russia also played a role in raising oil prices.
- With anticipated increases in global oil production in response to current high prices, supply constraints are expected to ease over the forecast period. Prices are expected to return to a long-run level of around US$30 by 2008.

NATURAL GAS PRICES REMAIN HIGH

Alberta Reference Price (Cdn$/GJ, monthly)



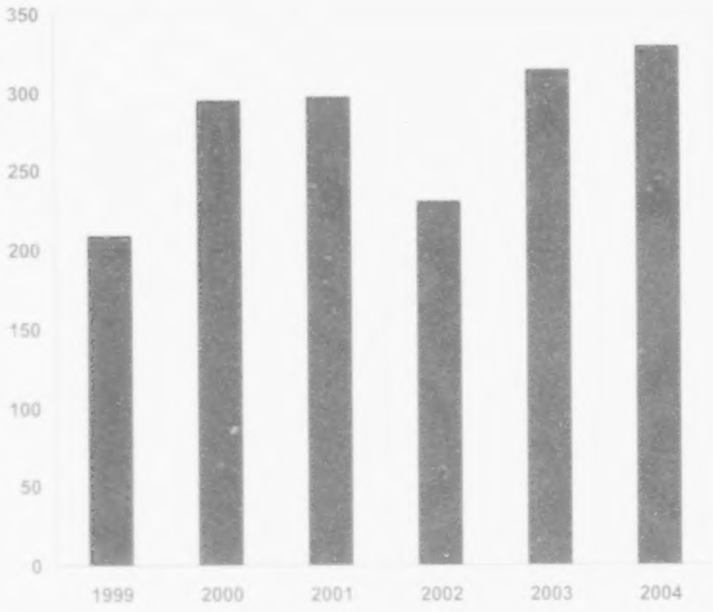
Source: Alberta Energy

- In 2004, natural gas prices were supported at above-average levels by record high prices for oil (a substitute for natural gas) even though natural gas storage levels were healthy for most of the year. Natural gas prices averaged an estimated $6.05 per gigajoule (GJ) in 2004-05, a record annual high.
- Prices are expected to decline to an average of $5.60/GJ in 2005-06, moderating further to $5.40/GJ in 2006-07 and $5.20/GJ in 2007-08, due largely to declining oil prices.

CONVENTIONAL ENERGY SECTOR SEES RECORD ACTIVITY

Average Number of Rigs Drilling (Alberta)

- Alberta's conventional oil and gas sector enjoyed another record year of activity. The average number of rigs drilling in Alberta increased by 4.8% in 2004, following a 36% increase in 2003.
- While energy prices are forecast to moderate, they are expected to remain relatively high by historical standards, sustaining drilling activity at healthy levels throughout the forecast period.

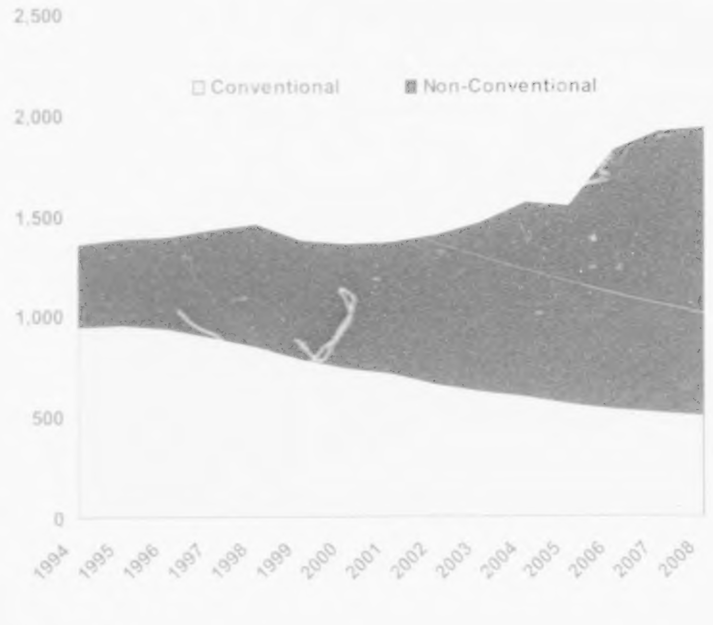


Source: Canadian Association of Oilwell Drilling Contractors

NON-CONVENTIONAL OIL STILL GROWING

Conventional and Non-Conventional Oil (thousands of barrels per day)

- In 2002, non-conventional oil overtook conventional oil as Alberta's largest source of production.
- By 2008, it is expected that non-conventional oil will make up approximately 74% of Alberta's total oil production.

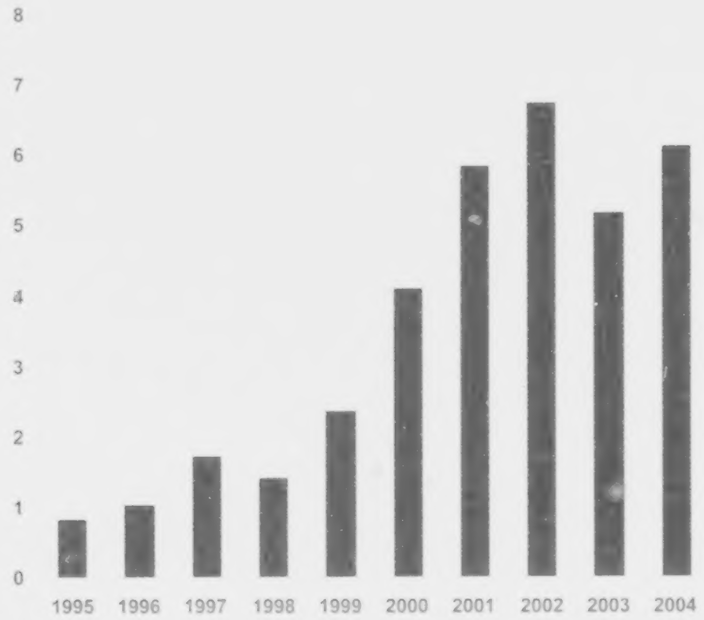


Source: Alberta Energy

- Oil sands investment increased dramatically between 1995 and 2002, rising from under $1 billion to over $6 billion.
- Following a moderate decline in 2003 to about $5.2 billion, oil sands investment rose again in 2004 to an estimated $6.1 billion.
- Ongoing projects are expected to keep investment levels high, limited primarily by construction industry capacity constraints.

OIL SANDS INVESTMENT REMAINS HIGH

Non-Conventional Energy Investment (billions of dollars)

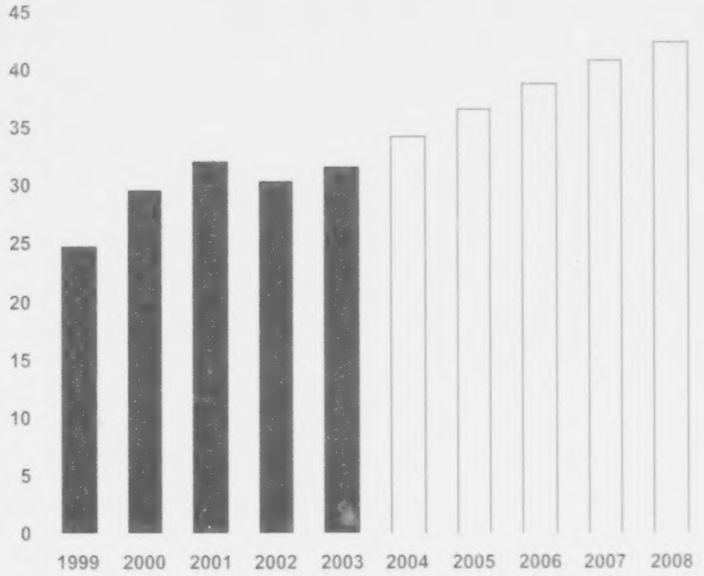


Source: Statistics Canada

- Over the past 5 years, Alberta's real business investment has grown at an estimated rate of 6.7% annually, becoming a key engine of economic growth.
- Alberta's total real business investment is expected to increase at an average rate of 5.5% over the forecast period, supporting productivity gains and sustaining healthy economic growth.

BUSINESS INVESTMENT SUSTAINS HEALTHY ECONOMIC GROWTH

Real Business Investment (billions of 1997 dollars)

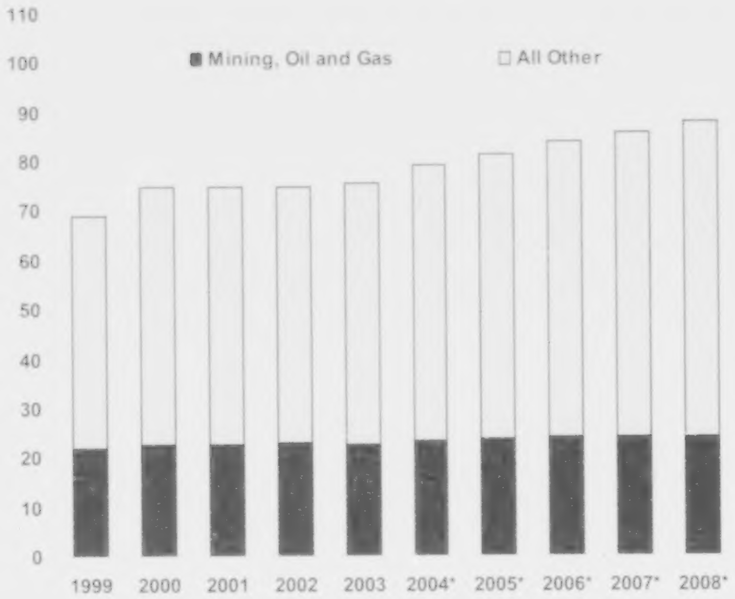


Source: Statistics Canada and Alberta Finance

- Despite the rising Canadian dollar, Alberta's exports had a very strong year in 2004, rising by an estimated 4.7% in real terms. Manufacturing exports led the way, with volumes rising by an estimated 8.0%.
- Overall, Alberta's exports are expected to rise by 2.7% per year in real terms through 2008.
- Future growth will be driven increasingly by non-energy exports, as Alberta's natural gas exports decline.

ALBERTA'S EXPORTS REMAIN STRONG

Real Exports (billions of 1997 dollars)



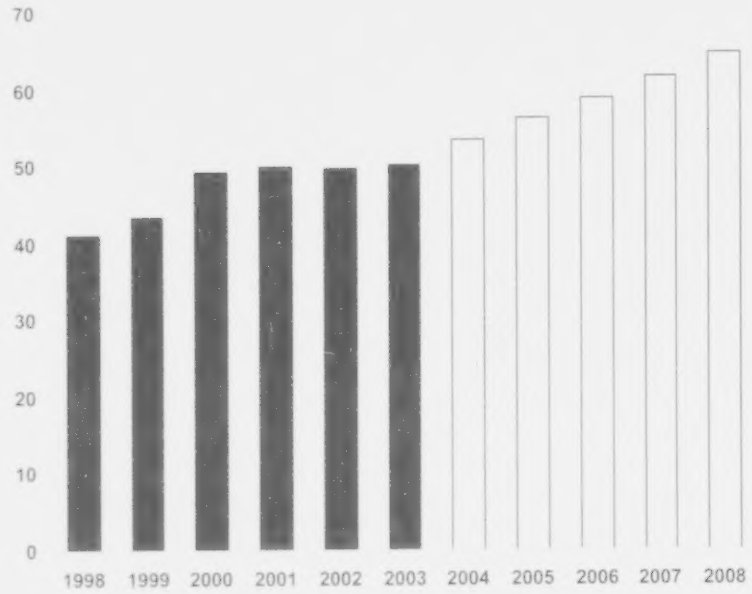
* Forecast

Source: Statistics Canada and Alberta Finance

- Alberta's export profile has become increasingly diverse over the past decade, with real manufacturing and services exports rising from 57% of total exports in 1993 to 68% in 2003.
- The diversification of Alberta's export sector provides a strong foundation for broadly-based future export growth.

MANUFACTURING AND SERVICES EXPORTS GROWING

Real Manufacturing and Services Exports (billions of 1997 dollars)

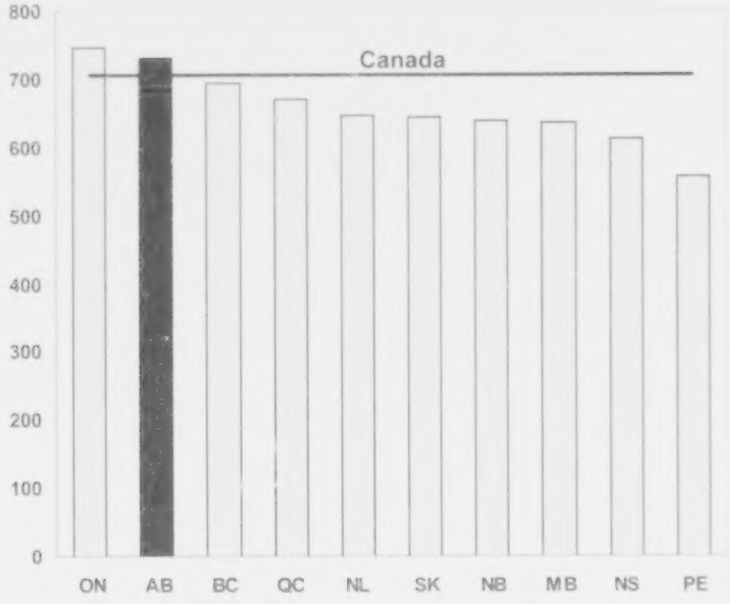


Source: Statistics Canada and Alberta Finance

- For 2004 as a whole, Alberta's average weekly earnings were second only to Ontario's.
- In 2004, Alberta's wages and salaries grew by 6.5%, the highest rate of growth in Canada.
- Over the medium term, wages are expected to increase at a rate slightly above inflation, sustained by productivity gains in the Alberta economy.

WAGE LEVELS AMONG HIGHEST IN CANADA

Average Weekly Earnings, 2004 (dollars)

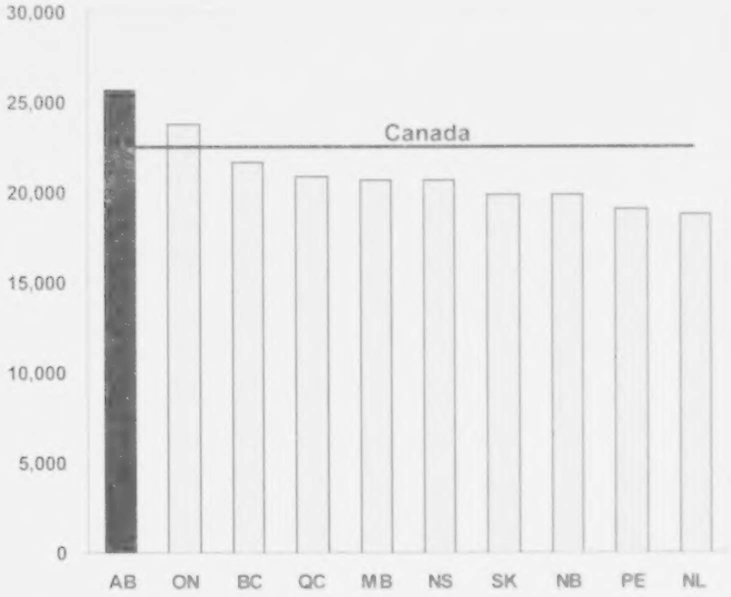


Source: Statistics Canada

- At $25,654, Alberta had the highest average personal disposable income of any province in 2003, the latest year for which data is available.
- In 2003, Alberta's disposable income per capita was more than $3,100 (13.8%) above the Canadian average of $22,538.

HIGHEST DISPOSABLE INCOME IN CANADA

Personal Income Per Capita, 2003 (dollars)

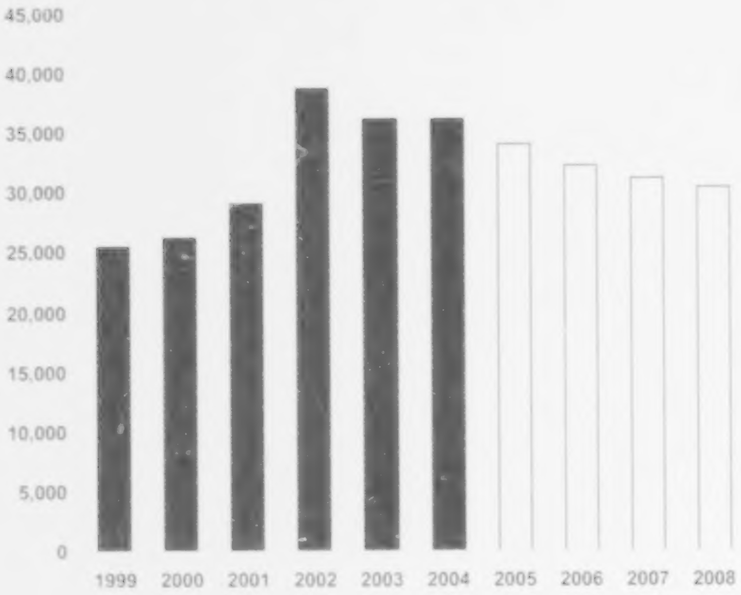


Source: Statistics Canada

HOUSING STARTS REMAIN STRONG

Housing Starts (units)

- Alberta's housing starts remained at high levels in 2004. Strength in the housing sector was supported by Alberta's robust economy and labour market, along with low interest rates.
- Although down slightly from the 20-year high recorded in 2002, Alberta's 36,270 housing starts in 2004 were 16% above the average number of starts over the preceding five years.
- Over the medium term, housing starts in Alberta are expected to moderate from recent highs, receding gradually to a still-healthy level of just over 30,000 starts by 2008.

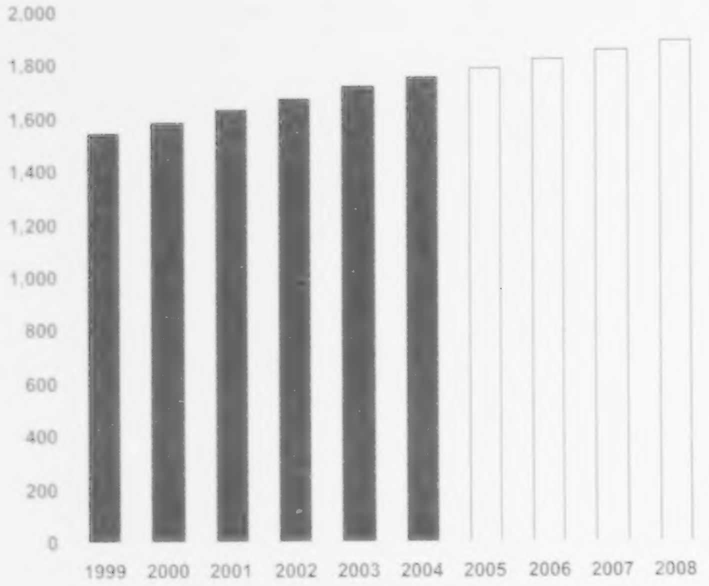


Source: Canada Mortgage and Housing Corporation and Alberta Finance

ALBERTA JOB GROWTH TO REMAIN STRONG

Employment (thousands)

- In 2004, the Alberta economy created 40,000 jobs, for solid employment growth of 2.3%.
- Over the forecast period, employment growth is expected to average around 1.9% per year, supported by continued healthy Alberta economic growth. Lower population growth is expected to be a key constraint.
- The Alberta economy is expected to generate almost 134,000 new jobs from 2004 to 2008, an average of about 33,400 per year.

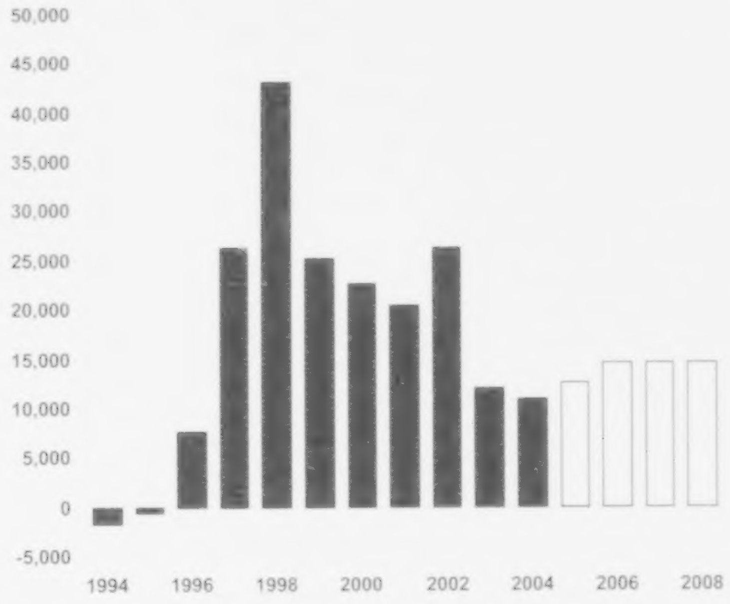


Source: Statistics Canada and Alberta Finance

INTERPROVINCIAL MIGRATION LEVELS MODERATING

Net Interprovincial Migration to Alberta
July 1 to June 30 (annual)

- In 2004, for the eighth consecutive year, Alberta had the highest level of net interprovincial migration of any province. From July 1, 2003 to June 30, 2004, 10,902 Canadians moved to Alberta.
- While Alberta remains the destination of choice for Canadians moving from other provinces, migration levels have been moderating in recent years, due to improving economic conditions in other regions of Canada. Net interprovincial migration to Alberta peaked at over 43,000 in 1998.
- Over the forecast period, Alberta's continuing strong economy is expected to attract an average of 14,100 net interprovincial migrants per year.

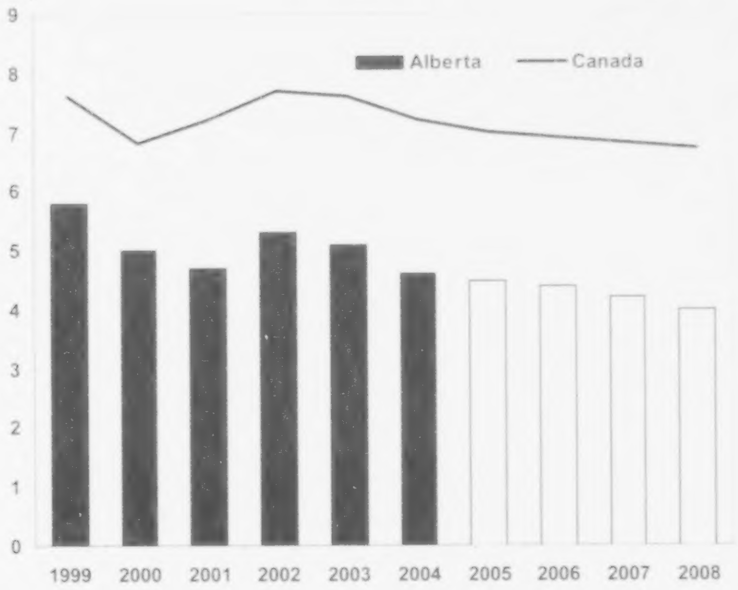


Source: Statistics Canada

LOWEST UNEMPLOYMENT RATE IN CANADA

Unemployment Rate (per cent)

- Healthy employment growth led to a further decline in Alberta's unemployment rate, which fell from 5.1% in 2003 to 4.6% in 2004.
- Alberta's 2004 unemployment rate was the lowest of any province, and more than one third below the national unemployment rate of 7.2%.
- With continued healthy economic growth forecast for Alberta, unemployment is expected to decline further over the forecast period, averaging only 4.3% through 2008.



Source: Statistics Canada and Alberta Finance

Oil Price Forecast Benchmark

West Texas Intermediate (US$/bbl)

Organization	2005	2006	2007	2008
National Forecasting Agencies				
Conference Board of Canada (Jan/05)	39.81	37.38	36.38	35.38
Global Insight (Feb/05)	43.46	36.53	35.09	34.70
Investment Dealers				
CS First Boston (Nov/04)	43.00	38.00	33.00	30.00
Goldman Sachs (Mar/05)	41.25	40.00	28.00	28.00
JP Morgan (Mar/05)	45.25	40.74	n/a	n/a
Lehman Brothers (Jan/05)	42.00	37.00	33.00	28.00
RBC Capital Markets (Jan/05)	39.00	34.50	31.84	32.47
Industry Analysts				
Canadian Energy Research Institute (Feb/05)	42.00	37.00	32.00	32.00
Peters & Co. Limited (Mar/05)	50.00	40.00	30.00	30.00
Confidential Forecasts Provided to Alberta Energy[a]				
Average	48.64	42.38	43.96	
High	52.25	50.00	52.00	35.38
Low	39.00	34.50	28.00	28.00
Average of All Private Forecasts	45.39	39.28	34.72	31.32
Alberta Government (calendar year)	**45.16**	**33.04**	**31.33**	**30.05**

Tracking the Forecasts of Oil Prices

West Texas Intermediate (US$/bbl)

Organization	How Did They Do 2004[b]	What They Were Saying About 2005 in Budget 2004	What They Are Saying About 2005 in Budget 2005
Actual	**41.40**		
CS First Boston	-15.40	23.00	43.00
Canadian Energy Research Institute	-10.40	29.00	42.00
Conference Board of Canada	-13.67	26.42	39.81
Global Insight	-13.40	26.30	43.46
Goldman Sachs	-14.40	25.00	41.25
JP Morgan	-12.40	27.00	45.25
Lehman Brothers	-11.70	21.00	42.00
Peters & Co. Limited	-11.40	27.00	50.00
RBC Capital Markets	-15.40	24.00	39.00
Average	-13.13	25.41	42.86
Alberta Government (calendar year)	**-13.54**	**25.06**	**45.16**

[a] The Alberta Department of Energy also surveys, on a confidential basis, private forecasts from the following forecasters: EIA, PIRA, PEL, Petral, Purvin & Gertz, Groppe Long & Littell and CGES. The annual figures presented are the average forecast prices from these sources.

[b] This compares an organization's forecast for 2004 at the time of Budget 2004 to what actually happened. A minus sign indicates an underestimate and a plus sign indicates an overestimate.

Natural Gas Price Forecast Benchmark

Alberta Average Reference Price (Cdn$/GJ)

Organization	2005	2006	2007	2008
Gilbert Lausten Jung Associates (Jan/05)	5.97	5.78	5.59	5.45
National Bank Financial[a] (Feb/05)	5.82	5.49	4.74	4.74
Peters & Co. Limited (Mar/05)	5.88	5.88	4.98	4.98
Confidential Forecasts Provided to Alberta Energy[b]				
Average	6.10	5.78	6.30	5.89
High	7.27	6.80	6.87	6.87
Low	5.22	4.44	4.74	4.74
Average of All Private Forecasts	6.04	5.76	5.79	5.47
Alberta Government (calendar year)	**5.91**	**5.18**	**5.27**	**5.10**

Tracking the Forecasts of Natural Gas Prices

Alberta Average Reference Price (Cdn$/GJ)

Organization	How Did They Do 2004[c]	What They Were Saying About 2005 in Budget 2004	What They Are Saying About 2005 in Budget 2005
Actual	5.98		
Canadian Energy Research Institute	-0.25	5.27	n/a
Gilbert Lausten Jung Associates	-0.77	4.60	5.97
National Bank Financial	-2.00	4.08	5.82
Peters & Co. Limited	-0.29	5.04	5.88
Average	-0.83	4.75	5.89
Alberta Government (calendar year)	**-1.75**	**3.89**	**5.91**

[a] Excludes gathering and processing charges, which are included in the other forecasts listed.

[b] The Alberta Department of Energy also surveys, on a confidential basis, private forecasts from the following forecasters: EIA, PIRA, RSEG, Sproule, Petral, Purvin & Gertz and Groppe Long & Littell. The annual figures presented are the average forecast prices from these sources. Forecasts are Henry Hub prices converted to Alberta Reference Price using Alberta Energy's models and assumptions.

[c] This compares an organization's forecast for 2004 at the time of Budget 2004 to what actually happened. A minus sign indicates an underestimate and a plus sign indicates an overestimate.

Canadian Short-Term Interest Rate Forecast Benchmark

3-month Government of Canada Treasury Bills (per cent)

Organization	2005	2006	2007	2008
National Forecasting Agencies				
Conference Board of Canada (Jan/05)	2.[illegible]	3.64	4.91	4.91
Global Insight (Mar/05)	2.49	2.50	2.06	2.62
Banks and Investment Dealers				
Bank of Montreal (Mar/05)	2.59	3.45	n/a	n/a
BMO Nesbitt Burns (Mar/05)	2.82	3.80	n/a	n/a
CIBC World Markets (Mar/05)	2.30	2.20	n/a	n/a
RBC Royal Bank (Mar/05)	2.63	3.56	n/a	n/a
Scotiabank (Mar/05)	2.48	2.25	n/a	n/a
Toronto Dominion Bank (Mar/05)	2.68	3.91	n/a	n/a
High	2.82	3.91	4.91	4.91
Low	2.30	2.20	2.06	2.62
Average	2.57	3.16	3.49	3.77
Alberta Government (calendar year)	**2.70**	**3.65**	**4.00**	**4.50**

Canadian Long-Term Interest Rate Forecast Benchmark

10-Year Government of Canada Bonds (per cent)

Organization	2005	2006	2007	2008
National Forecasting Agencies				
Conference Board of Canada (Jan/05)	4.59	4.80	5.51	5.76
Global Insight (Mar/05)	4.48	4.79	4.80	4.79
Banks and Investment Dealers				
Bank of Montreal (Mar/05)	4.55	5.20	n/a	n/a
BMO Nesbitt Burns (Mar/05)	4.49	4.94	n/a	n/a
CIBC World Markets (Mar/05)	4.05	3.83	n/a	n/a
RBC Royal Bank (Mar/05)	4.33	4.75	n/a	n/a
Scotiabank (Mar/05)	4.48	4.23	n/a	n/a
Toronto Dominion Bank (Mar/05)	4.61	5.34	n/a	n/a
High	4.61	5.34	5.51	5.76
Low	4.05	3.83	4.80	4.79
Average	4.45	4.74	5.16	5.28
Alberta Government (calendar year)	**4.40**	**5.05**	**5.50**	**6.00**

Canada/United States Exchange Rate Forecast Benchmark

(US¢/Cdn$)

Organization	2005	2006	2007	2008
National Forecasting Agencies				
Conference Board of Canada (Jan/05)	79.4	78.4	80.0	81.6
Global Insight (Mar/05)	81.8	84.9	86.4	85.9
Banks and Investment Dealers				
Bank of Montreal (Mar/05)	81.0	81.0	n/a	n/a
BMO Nesbitt Burns (Mar/05)	81.5	83.1	n/a	n/a
CIBC World Markets (Mar/05)	80.6	76.4	n/a	n/a
RBC Royal Bank (Mar/05)	80.8	78.4	n/a	n/a
Scotiabank (Mar/05)	86.3	88.5	n/a	n/a
Toronto Dominion Bank (Mar/05)	82.3	83.0	n/a	n/a
High	86.3	88.5	86.4	85.9
Low	79.4	76.4	80.0	81.6
Average	81.7	81.7	83.2	83.8
Alberta Government (calendar year)	**82.8**	**85.0**	**85.0**	**85.0**

Alberta Real Gross Domestic Product Forecast Benchmark

(per cent change)

Organization	2005	2006	2007	2008
National Forecasting Agencies				
Conference Board of Canada (Jan/05)	3.8	3.0	2.8	2.9
Global Insight (Jan/05)	3.7	3.0	n/a	n/a
Banks				
Bank of Montreal (Feb/05)	4.0	3.7	n/a	n/a
CIBC World Markets (Mar/05)	3.8	3.4	n/a	n/a
RCB Royal Bank (Mar/05)	3.7	3.7	n/a	n/a
Scotiabank (Mar/05)	3.5	3.3	n/a	n/a
Toronto Dominion Bank (Mar/05)	3.4	3.2	n/a	n/a
Other				
BMO Nesbitt Burns (Mar/05)	3.8	3.5	n/a	n/a
Canada Mortgage and Housing Corporation (Jan/05)	3.8	4.1	n/a	n/a
High	4.0	4.1	2.8	2.9
Low	3.4	3.0	2.8	2.9
Average	3.7	3.4	2.8	2.9
Alberta Government (calendar year)	3.7	3.3	3.0	2.9

Announced Major Projects Over $100 Million

Announced or Under Construction

Company Name	Location	Type of Project	Cost ($millions)	Timing
OIL AND GAS				
Air Products Canada Ltd.	Strathcona County	Hydrogen Plant for Petro-Canada Edmonton Refinery Feed Conversion Project	160	2006
Imperial Oil Limited	Strathcona County	Strathcona Sulphur Reduction Plant for Diesel	250	2004-2006
Petro-Canada Oil and Gas	Strathcona County	Sulphur Reduction Plants at Strathcona Refinery	250	2004-2006
TransCanada Pipelines	Yellowhead City (NW of Edson)	Natural Gas Storage Facility	200	2004-2005
OIL SANDS				
Canadian Natural Resources Ltd.	Lakeland County (Primrose/Wolf Lake)	'Primrose North' Cyclic Steam Stimulation (CSS) Project	250	2004-2007
	RM of Wood Buffalo	'Project Horizon' Mining and Drilling Project Phase 1	6,800	2005-2008
Conoco Philips Canada/ TotalFinaElf/Devon Energy	RM of Wood Buffalo (near Anzac)	'Surmont' SAGD* Bitumen Commercial Project	1,100	2004-2013
Deer Creek Energy Ltd.	RM of Wood Buffalo	'Joslyn Creek' SAGD Project Phase 2	270	2004-2006
Devon Canada Corporation	RM of Wood Buffalo (SE of Conklin)	'Jackfish' SAGD Project	450	2005-2007
EnCana Corporation	RM of Wood Buffalo (Christina Lake)	SAGD Bitumen Production	400	2000-2009
ExxonMobil Canada Ltd.	MD of Bonnyville (near Cold Lake)	In situ Bitumen Plant	100	1997-2005
Husky Energy Inc.	MD of Bonnyville (NW of Cold Lake)	'Tucker Lake' SAGD Project	500	2005-2006
Imperial Oil Limited	MD of Bonnyville	Extension of Phases 9 & 10 'Mahihkan North'	350	2005-2006
OPTI Canada Inc./Nexen Inc.	RM of Wood Buffalo (near Anzac)	'Long Lake' SAGD Heavy Oil Project	3,500	2004-2007

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* Steam Assisted Gravity Drainage

Announced Major Projects Over $100 Million (cont'd)

Announced or Under Construction

Company Name	Location	Type of Project	Cost ($millions)	Timing
OIL SANDS (cont'd)				
Petro-Canada Oil and Gas	Strathcona County	Strathcona Refinery Conversion to Upgrade Bitumen	1,200	2006-2008
Petrovera Resources Ltd.	Lindbergh/Elk Point/ Frog Lake/Marwayne	Bitumen Recovery	1,200	2000-2010
Suncor Energy	RM of Wood Buffalo (Fort McMurray)	'Firebag' In situ Bitumen Recovery Project	1,000	2003-2012
Syncrude Canada Ltd.	RM of Wood Buffalo (Fort McMurray)	Phase 3: Upgrader Expansion Phase 1/Aurora Mine Train 2	7,800	2001-2006
	RM of Wood Buffalo (Fort McMurray)	Continuous Improvement	1,500	1997-2007
POWER				
Hunt Power Company Ltd.	MD of Rocky View (S of Crossfield)	Gas-Fired Power Plant (345MW)	300	2005-2007
COMMERCIAL, RETAIL AND RESIDENTIAL CONSTRUCTION				
Bentall Real Estate Services	Calgary	'Livingston Place' Office Towers Phase 1	130	2005-2007
Cameron Corporation/ Grosvenor International Canada Ltd.	Edmonton	'South Edmonton Common' Retail Complex	250	1997-2005
Christenson Developments/ Western Asset Management Group (WAM)	Strathcona County (Sherwood Park)	'Centre in the Park' Housing/Retail/ Commercial Development	135	2004-2011
Heritage Partners	Calgary	'Deerfoot Meadows' Retail Complex	500	2003-2006
ProCura Real Estate Services/Westbank Projects Corp.	Edmonton	Heritage Mall Re-development to 'Century Park' Mixed-Use Development	600	2005-2010
WAM Development/Opus Building Corp.	Calgary	'Stampede Station' Retail/Office Space, Hotel and Residential Buildings	400	2004-2007

Announced Major Projects Over $100 Million (cont'd)

Announced or Under Construction

Company Name	Location	Type of Project	Cost ($millions)	Timing
INFRASTRUCTURE				
Alberta Infrastructure and Transportation	Across Alberta	Highway Twinning Project	1,400	1998-2011
	Bow River Irrigation District	Carseland - Bow River Headworks Rehabilitation	125	2003-2009
	Calgary	Extension of Stoney Trail to Deerfoot Trail	250	2005-2007
	Edmonton	SH216 (Anthony Henday Dr) SE Section (Hwy 2 to Hwy 14/SH216)	493	2005-2007
	Near Carseland to near Vauxhall	Carseland - Bow River Headworks System Rehabilitation	100	1998-2012
Calgary Airport Authority	Calgary	Airport Improvements	800	1998-2007
City of Calgary	Calgary	Bearspaw Water Treatment Plant Upgrades	102	2004-2008
	MD of Foothills	Pine Creek Wastewater Treatment Plant	320	2005-2007
Various Irrigation Districts	Across Southern Alberta	Irrigation Systems/Rehabilitation	600	1997-2006
INSTITUTIONAL				
Alberta Children's Hospital Foundation/Calgary Health Region	Calgary	Alberta Children's Hospital	220	2003-2006
Bow Valley College	Calgary	Campus Re-Development and Expansion	100	2005-2010
Calgary Health Region	Calgary	Hospital for South Calgary (South Health Campus Phase 1)	500	2006-2009
Capital Health	Edmonton	Alberta Heart Institute	142	2004-2006
Capital Health/Royal Alexandra Hospital Foundation	Edmonton	Royal Alexandra Hospital North Treatment Centre (NTC)	110	2005-2008
GWL Realty Advisors Inc. (formerly listed under Alberta Infrastructure/Alberta Justice)	Calgary	Courts Centre Courthouse Complex	300	2004-2007

Announced Major Projects Over $100 Million (cont'd)

Announced or Under Construction

Company Name	Location	Type of Project	Cost ($millions)	Timing
INSTITUTIONAL (cont'd)				
University of Alberta	Edmonton	Health Research Innovation Facility (HRIF)	165	2003-2006
University of Calgary	Calgary	Health Research Innovation Centre (HRIC)	220	2003-2005
OTHER				
Ainsworth Lumber Co.	Grande Prairie and Valleyview	OSB Plant Expansion plus Hardwood Sawmill Expansion	220	2005-2006
Bell Intrigna/Bell Nexxia/ Axia NetMedia and Partners	Across Alberta	Alberta SuperNet Fibre-Optic Communications Grid	300	2001-2005
Destination Resorts Inc.	Canmore	Three Sisters Resort	150	2002-2010
Enoch Paragon Limited Partnership (EPLP)	Parkland County (Enoch Cree Nation)	'River Cree Resort and Casino' Complex	140	2004-2006
Tolko Industries Inc.	Slave Lake	Facility Expansion and Improvements to OSB Plant	202	2005-2006
Tsuu T'ina Nation	MD of Rocky View	Casino/Business Centre	700	2005
Weyerhauser	Grande Prairie	Pulp Mill Upgrade (Boiler Re-Build)	160	2005-2007
TOTAL			37,414	

Source: Alberta Economic Development

ALBERTA ADVANTAGE

2005
BUDGET

Table of Contents

Alberta Advantage 110
The Economy 111
The People 114
The Lowest Tax Load 117
Low Operating Costs 120
Quality of Life 124
The Alberta Government 126

LIST OF CHARTS

Real GDP Per Capita 111
Real Economic Growth 111
Investment Per Capita 112
Unemployment Rate 112
Personal Income 112
Personal Disposable Income 112
Retail Sales Per Capita 113
Business Growth 113
Corporate Headquarters 113
Population 114
Net Interprovincial Migration 114
Performance of Students Aged 15 115
Population Aged 25-64 With Post-Secondary Education 115
Share of Population Under 40 115
Participation Rate 115
Employment to Population Ratio 116
Labour Productivity 116
Labour Record 116
Internet Use 116
Total Provincial Tax Load 117
Retail Sales Tax Rates 117
Combined Top Marginal Personal Income Tax Rates 118
Family Earning $30,000 118
Family Earning $60,000 118
Family Earning $100,000 118
Provincial General Corporate Income Tax Rates 119
Provincial Small Business Corporate Income Tax Rates 119
Gasoline Tax Rates 119
Alberta's Tax Advantage 119
Business Costs Index 120
Initial Investment Costs 120

Table of Contents (cont'd)

LIST OF CHARTS (CONT'D)

Annual Labour Costs 121
Workers' Compensation Premiums 121
Investment Climate 121
Office Occupancy Costs 121
Gasoline Prices 122
Natural Gas Rates 122
Daily Living Price Index 122
Housing Affordability 122
Net Home Property Taxes 123
Life Expectancy 124
Quality of Life Index 124
Expenditure on Recreational Activities 125
Support for Performing Arts 125
Provincial Health Expenditure 125
Provincial and Local Education Expenditure 125
Government Surpluses (Deficits) 126
Government Net Financial Assets (Debt) 126
Alberta's Accumulated Debt 127
Credit Rating 127
Borrowing Costs 127
Budget Performance Index 127
Economic Freedom Index - Canada 128
Economic Freedom Index - North America 128

Alberta Advantage

Alberta's vision is "A vibrant and prosperous province where Albertans enjoy a superior quality of life and are confident about the future for themselves and their children."

The Government of Alberta's 20-Year Strategic Plan has outlined four areas of opportunity that will be important to the achievement of this long-term vision: unleashing innovation; leading in learning; competing in a global marketplace; and making Alberta the best place to live, work, and visit.

The Alberta Advantage illustrates, using widely accepted performance indicators, that Alberta is leading the way in these areas and is progressing toward its vision by capitalizing on the exciting opportunities that are available…

- a strong and vibrant economy
- a young, skilled and productive workforce
- affordable living costs
- a strong commitment to innovation and knowledge-based progress
- a highly entrepreneurial and competitive business community
- a business-friendly province committed to responsible regulation
- the lowest overall tax load of any province in Canada, including no retail sales tax
- a modern and efficient infrastructure
- an abundance of natural resources
- a beautiful natural environment
- a fiscally responsible provincial government

The Alberta Advantage is organized around the following categories: the economy, people, taxes, operating costs, quality of life and sound financial management. It shows that Alberta is "the place to be."

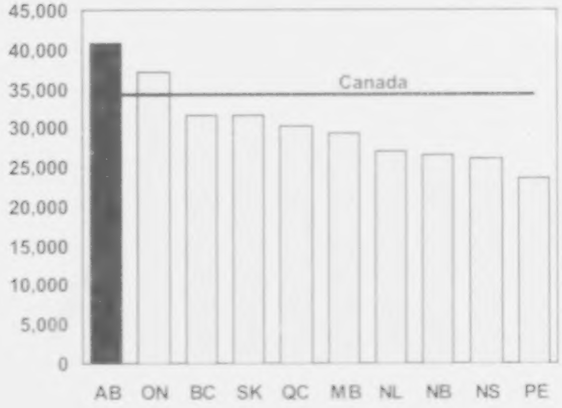
The Economy

STRONG AND DIVERSIFIED

Over the past decade, Alberta's economic performance has been exceptional, leading the nation in nearly all economic indicators. This province's prosperity enables its residents and businesses to be confident about the future. Alberta is creating an environment and infrastructure that enables knowledge and technology to invigorate our traditional economic strengths and create new opportunities.

REAL GDP PER CAPITA

2000-2004 Annual Average (dollars per capita)*



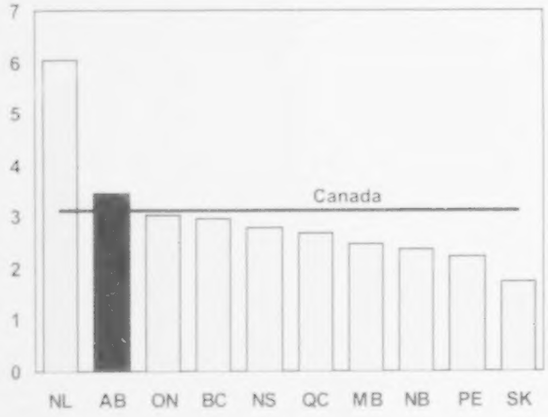
* 2004 GDP estimated for provinces

Source: Statistics Canada, Alberta Finance and the Conference Board of Canada

- Alberta has the highest real gross domestic product per capita among the provinces.
- Since 2000, Alberta's real gross domestic product per capita has averaged 9.6% higher than second place Ontario.

REAL ECONOMIC GROWTH

2000-2004 Average Annual Growth in GDP (per cent)*



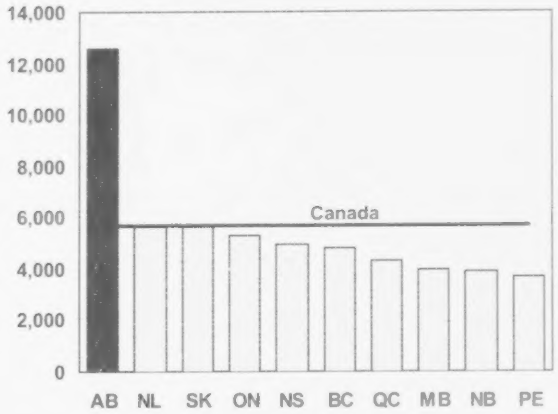
* 2004 GDP estimated for provinces

Source: Statistics Canada, Alberta Finance and the Conference Board of Canada

- Alberta's economic growth rate was the second highest in Canada over the past five years.
- In 2004, Alberta's real output grew by an estimated 4.4%.

INVESTMENT PER CAPITA

2000-2004 Annual Average (dollars per capita)*



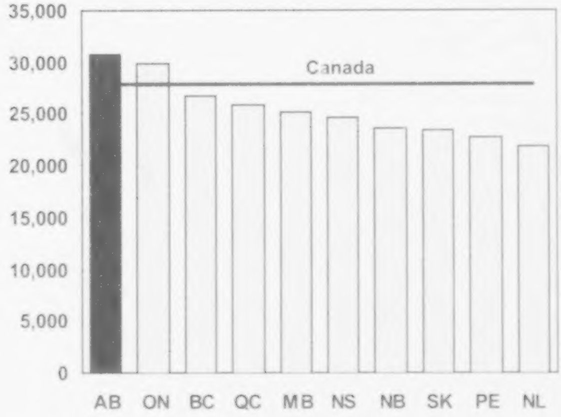
* 2004 preliminary actual.

Source: Statistics Canada

- Alberta continues to be far ahead in total private sector investment per person, as it has been for decades.
- Over the past five years, Alberta's investment per capita has been more than double that of the next highest province, Newfoundland and Labrador.

PERSONAL INCOME

1999-2003 Annual Average (dollars per capita)

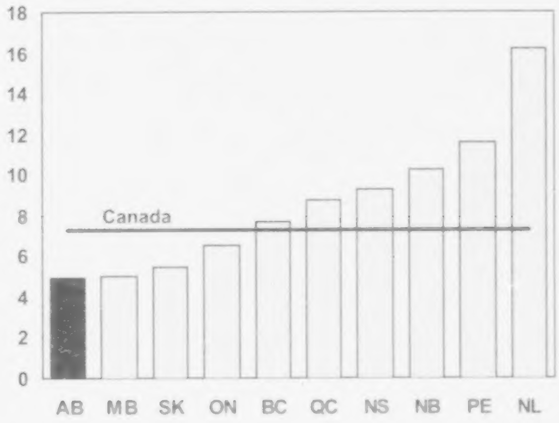


Source: Statistics Canada

- Over the five years ending in 2003 (the most recent data available), Albertans enjoyed the highest personal income per capita.
- In 2003, Alberta had the highest personal income per capita among provinces at $33,083, 13.3% above the national average.

UNEMPLOYMENT RATE

2000-2004 Annual Average (per cent)

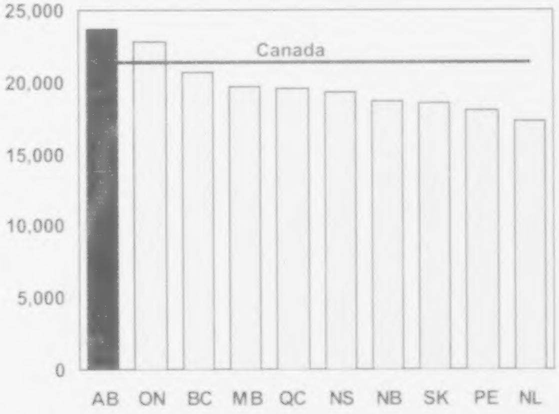


Source: Statistics Canada

- Over the past five years, Alberta's average unemployment rate of 4.9% was lowest among the provinces, well below the national average of 7.3%.
- In 2004, Alberta's unemployment rate of 4.6% was the lowest in Canada.

PERSONAL DISPOSABLE INCOME

1999-2003 Annual Average (dollars per capita)*



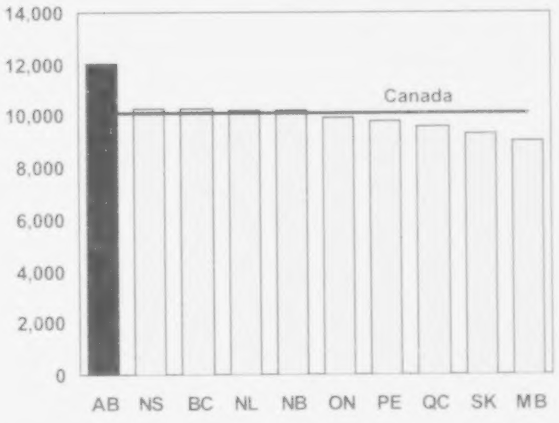
* Personal income less income and payroll taxes and other current transfers to government.

Source: Statistics Canada

- Over the five years ending in 2003 (the most recent data available), Alberta was ahead of all other provinces in personal disposable income per capita. At $25,654, Alberta's 2003 personal disposable income per capita was 13.8% above the national average.
- With no general retail sales tax in Alberta, the disposable income advantage translates into even greater purchasing power.

RETAIL SALES PER CAPITA

2000-2004 Annual Average (dollars per capita)

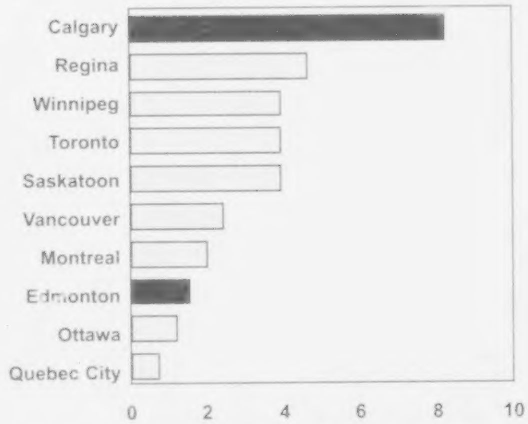


Source: Statistics Canada

- Alberta continues to lead all provinces in retail sales per capita.
- Over the past five years, Alberta's retail sales per capita has been approximately 20% above the national average.

CORPORATE HEADQUARTERS

2003 (number of head offices per 100,000 population)*



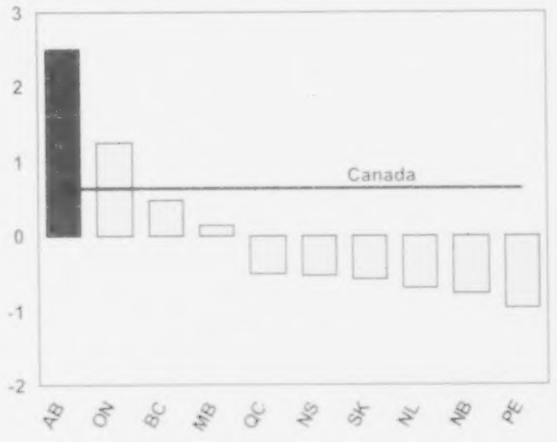
* Top 800 companies incorporated in Canada based on revenue.

Source: National Post Business, Statistics Canada, and Calgary Economic Development.

- Calgary has approximately 8 head offices for every 100,000 persons. This rate by far exceeds all other cities in Canada.

BUSINESS GROWTH

2000-2004 Annual Average (per cent growth in # of firms)*



* Businesses include all incorporated and unincorporated firms, except self-employed and single person firms.

Source: Statistics Canada

- Over the past five years, Alberta's average business growth has been the fastest of any province in Canada.
- In 2004, the number of businesses in Alberta increased by 2%, the strongest growth among provinces.

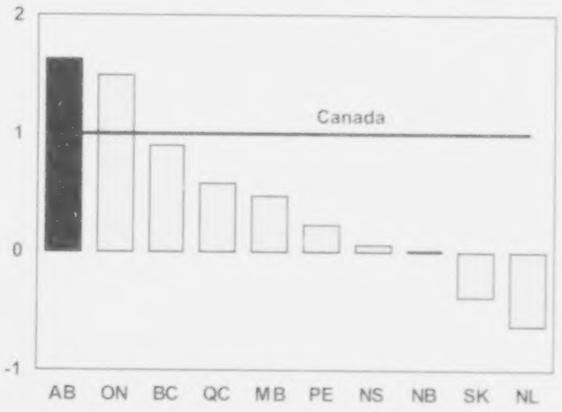
The People

YOUNG, HIGHLY TRAINED AND PRODUCTIVE

In today's knowledge-based economy, the people of Alberta are our province's most important resource. Albertans are highly skilled and productive, and are among the most educated in the world. They are the foundation of our thriving and vibrant economy.

POPULATION

2000-2004 Average Annual Growth (per cent)*



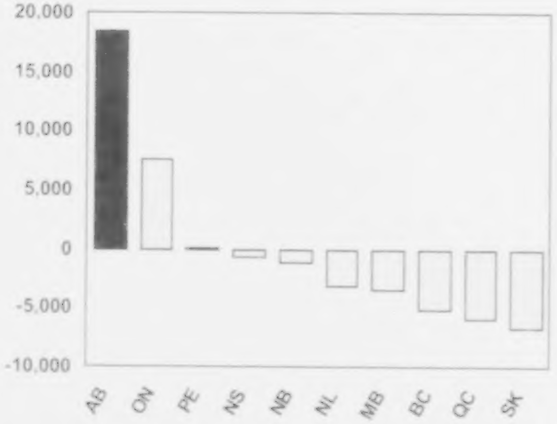
* Annual population based on 3rd quarter (July 1) estimates

Source: Statistics Canada

- Over the past five years, Alberta's population has grown the fastest among the provinces.
- In 2004, Alberta's population growth of 1.4% also led the provinces.

NET INTERPROVINCIAL MIGRATION

2000-2004 Annual Average (net number of interprovincial migrants)*



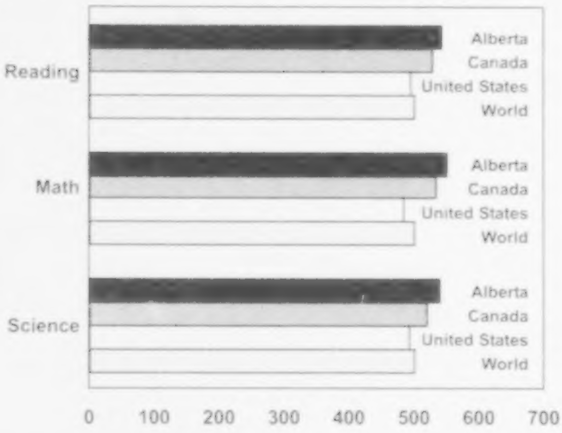
* July 1, 1999 to June 30, 2004

Source: Statistics Canada

- Alberta has the highest number of interprovincial migrants in Canada.
- From July 2003 to June 2004, a net of 10,902 migrants came to Alberta from other provinces. The only other provinces to experience positive net interprovincial migration during this time were British Columbia and Prince Edward Island, at 7,333 and 299, respectively.

PERFORMANCE OF STUDENTS AGED 15

2003 Results (scaled to average score of 500)

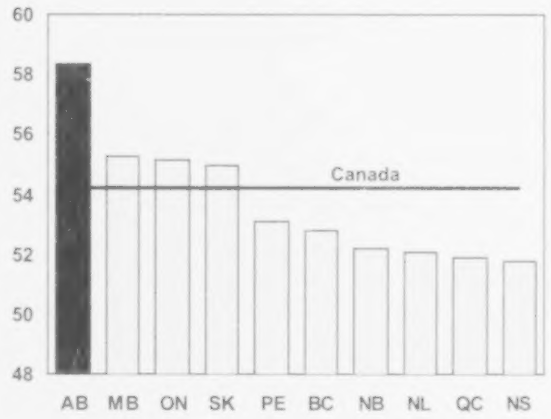


Source: Organisation for Economic Co-operation and Development (OECD)

- In 2003, the performance of students aged 15 in Alberta was significantly above the Canadian, United States and international averages in reading, mathematics and science.
- Out of 41 countries and Canada's provinces, Alberta scored second highest in mathematics and reading and fourth highest in science.

SHARE OF POPULATION UNDER 40

2000-2004 Annual Average (per cent of total population)

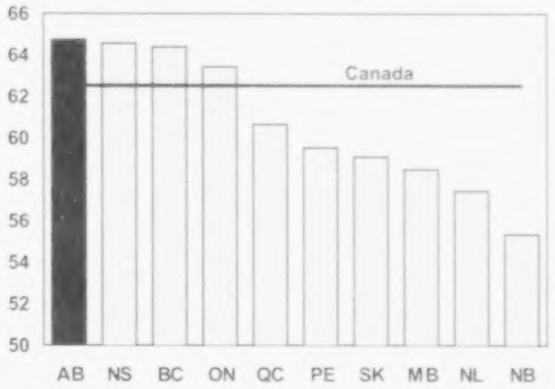


Source: Statistics Canada

- Alberta has the youngest population among the provinces.
- About 58% of Albertans are under the age of 40.

POPULATION AGED 25-64 WITH POST-SECONDARY EDUCATION

2000-2004 Annual Average (per cent of total population)*



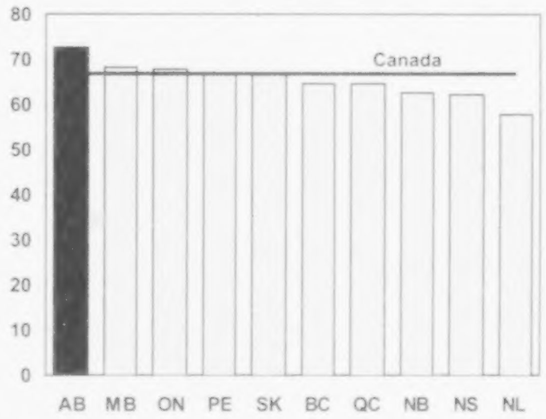
* Includes some post-secondary and completed post-secondary certificates, diplomas, and university degrees.

Source: Statistics Canada

- Alberta has the best educated workforce in Canada.
- Approximately 65% of Albertans aged 25 to 64 have post-secondary education.

PARTICIPATION RATE

2000-2004 Annual Average (per cent)*



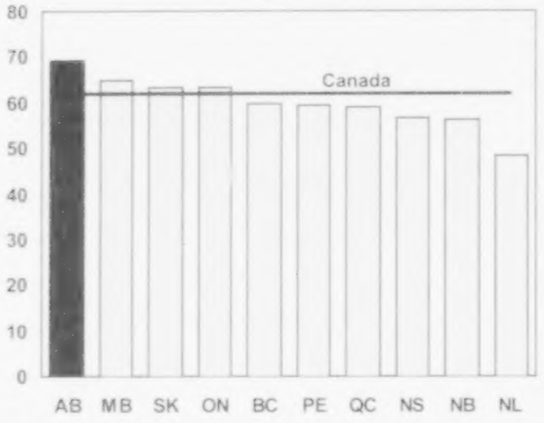
* The participation rate is the total of those employed plus those looking for work aged 15 and over, divided by the population aged 15 and over.

Source: Statistics Canada

- Alberta has the highest labour force participation rate in Canada, 4.4 percentage points higher than second place Manitoba.

EMPLOYMENT TO POPULATION RATIO

2000-2004 Annual Average (per cent)*



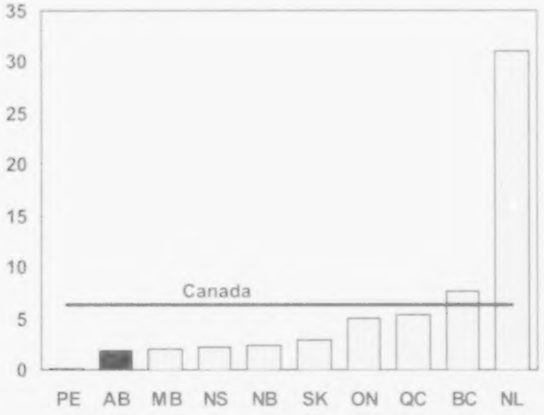
* The employment to population ratio is the total of those employed divided by the population aged 15 and over.

Source: Statistics Canada

- Compared to other provinces, more Albertans are working relative to the size of our working age population.
- Alberta is 4.3 percentage points above second place Manitoba.

LABOUR RECORD

2000-2004 Annual Average (person days lost due to disputes per 10,000 person days worked)*



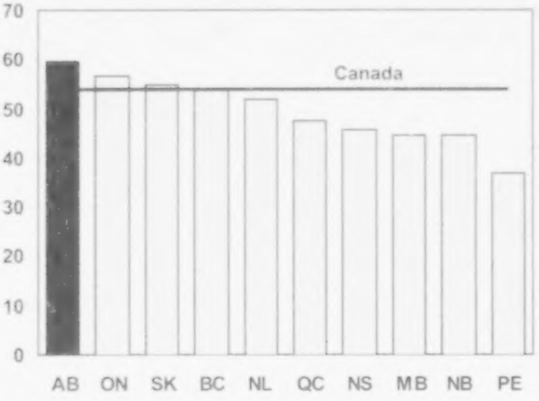
* January to September 2004 preliminary rate

Source: Statistics Canada and Human Resources Development Canada

- In terms of person days lost due to labour disputes, Alberta's 5-year average record is better than all other provinces except Prince Edward Island.
- Newfoundland and Labrador had a public labour dispute in 2004 that distorted its five year average.

LABOUR PRODUCTIVITY

2000-2004 Annual Average (dollars of real GDP per hour worked)*



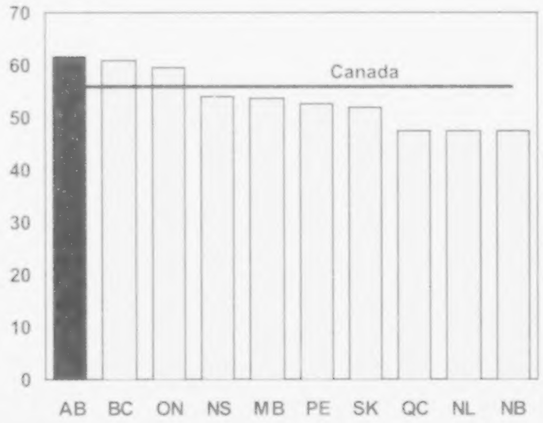
* 2004 GDP estimated for provinces.

Source: Statistics Canada, Alberta Finance and the Conference Board of Canada

- Albertans are the most productive workers in Canada, as measured by real GDP dollars produced per hour worked.

INTERNET USE

1999-2003 Annual Average (per cent of households)*



* Households with at least one regular user in any location (home, work, school, public library)

Source: Statistics Canada

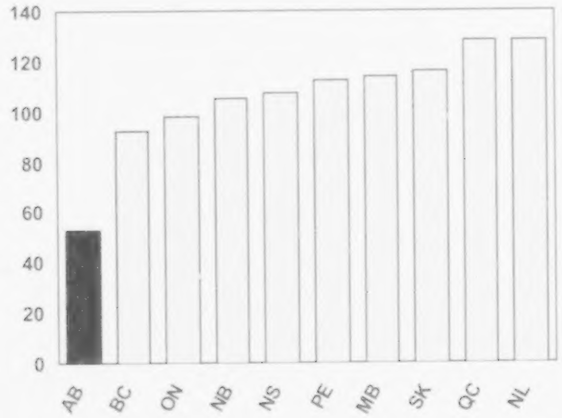
- Albertans are the most "connected" when it comes to Internet technology, which improves access to information, education, health and commerce services.
- Canada is the most connected country in the world.

The Lowest Tax Load

LEAVING MORE DOLLARS IN THE POCKETS OF ALBERTANS

Alberta is open for business with the lowest overall corporate and personal taxes in Canada. Albertans benefit from a competitive personal income tax system, the lowest tax on gasoline among the provinces, no general retail sales taxes and among the lowest property taxes in Canada. Their businesses benefit from having among the lowest corporate income taxes in Canada and no general payroll or capital taxes.

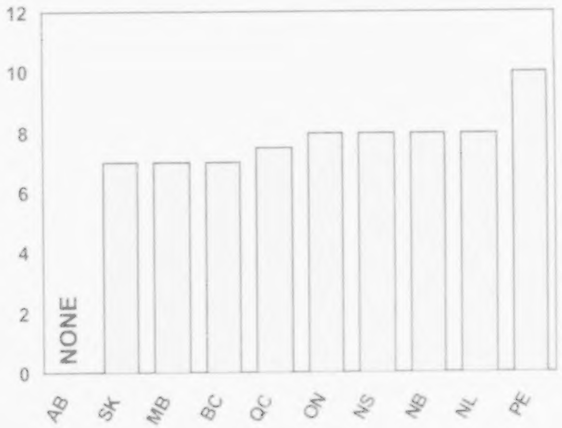
TOTAL PROVINCIAL TAX LOAD
2004-05 (per cent of the Canadian average)*



* Equalization payments, 2004-05, 3rd estimate
Source: Finance Canada and Alberta Finance

- Alberta has by far the lowest combined provincial and municipal tax burden among the provinces, at 53% of the national average.

RETAIL SALES TAX RATES
2005 (per cent)*

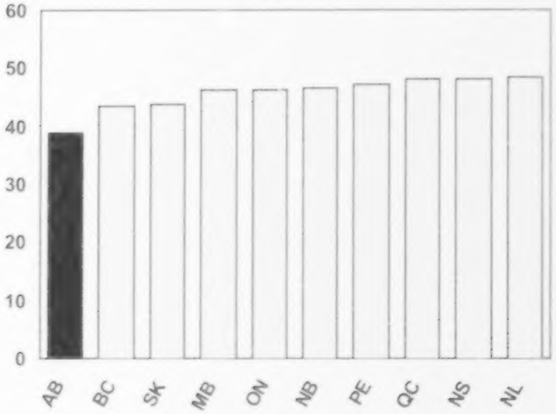


* Other provinces' rates known as of March 21, 2005
Source: Alberta Finance

- Alberta has no provincial retail sales tax.

COMBINED TOP MARGINAL PERSONAL INCOME TAX RATES

2005 (per cent)*



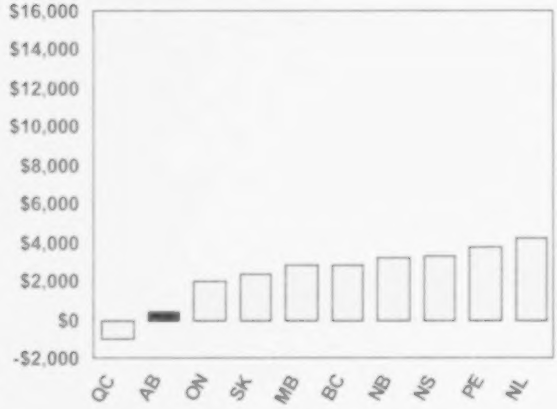
* Other provinces' rates known as of March 21, 2005
Source: Alberta Finance

- Alberta has the lowest top marginal personal income tax rate among the provinces at 39%–29% federal and 10% provincial.
- In Alberta, top income earners keep 61% of their last dollar earned.

FAMILY EARNING $30,000

Taxes and Health Care Insurance Premiums

2005 (One-income family with two children)*



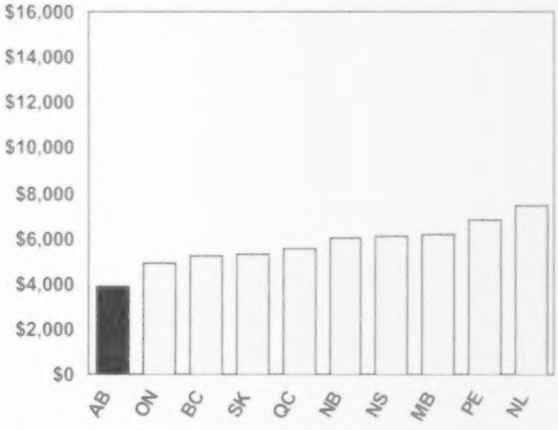
* Other provinces' rates known as of March 21, 2005
Source: Alberta Finance

- This graph, and the following two, compare provincial income, sales, payroll, fuel and tobacco taxes, and health care insurance premiums payable by a family.
- In Alberta, a typical one-income family earning $30,000 pays only $406, approximately 85% less than the average of the other provinces.

FAMILY EARNING $60,000

Taxes and Health Care Insurance Premiums

2005 (Two-income family with two children)*



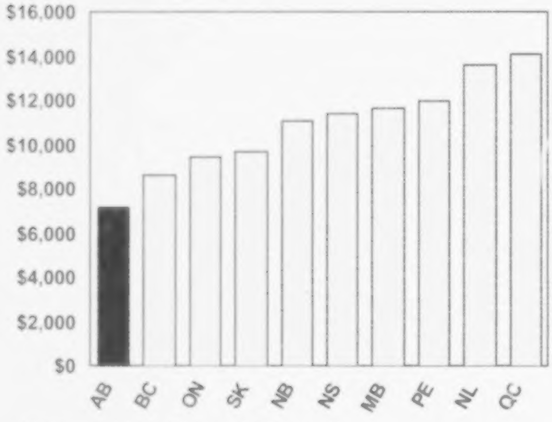
* Other provinces' rates known as of March 21, 2005
Source: Alberta Finance

- In Alberta, a typical two-income family earning $60,000 pays $3,933, approximately 34% less in combined taxes and health care insurance premiums than the average of the other provinces.

FAMILY EARNING $100,000

Taxes and Health Care Insurance Premiums

2005 (Two-income family with two children)*

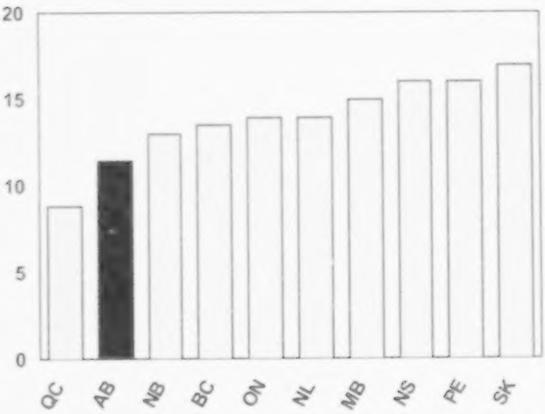


* Other provinces' rates known as of March 21, 2005
Source: Alberta Finance

- In Alberta, a typical two-income family earning $100,000 pays $7,224, approximately 36% less in combined taxes and health care insurance premiums than the average of the other provinces.

PROVINCIAL GENERAL CORPORATE INCOME TAX RATES

2005 (per cent)*



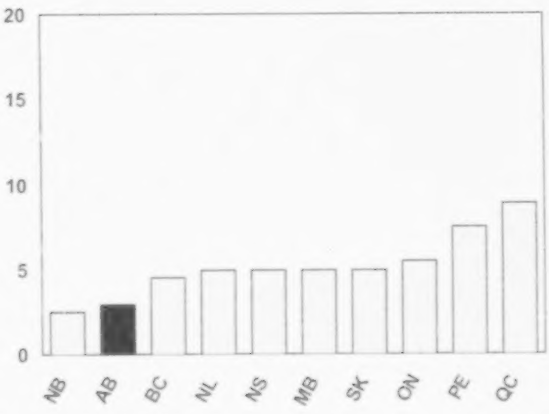
* Other provinces' rates known as of March 21, 2005. SK, ON, PE and NL have a lower corporate income tax rate for manufacturing and processing industries.

Source: Alberta Finance

- Alberta has the second lowest general corporate income tax rate in Canada at 11.5%.
- Alberta businesses also benefit because Alberta has no general sales tax, capital tax or payroll tax.

PROVINCIAL SMALL BUSINESS CORPORATE INCOME TAX RATES

2005 (per cent)*



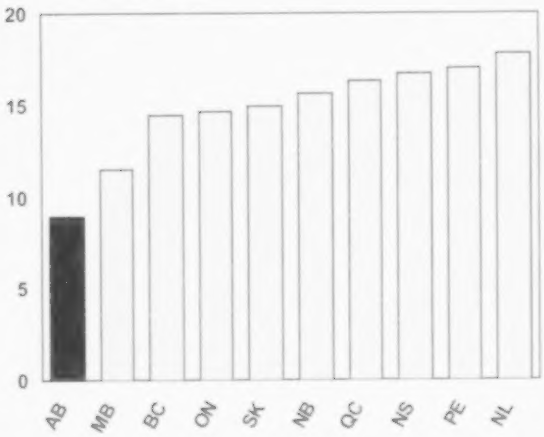
* Other provinces' rates known as of March 21, 2005.

Source: Alberta Finance

- Alberta's small business corporate income tax rate of 3% is the second lowest in Canada.

GASOLINE TAX RATES

2005 (cents per litre)*



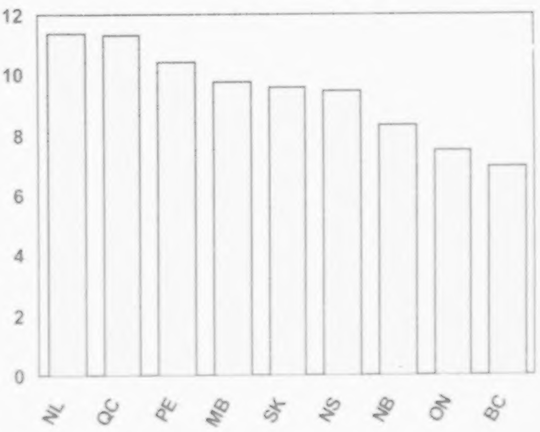
* Other provinces' rates known as of March 21, 2005. For NB, NS, QC and NL provincial sales tax is levied on top of fuel tax.

Source: Alberta Finance

- At 9.0 cents per litre, Alberta has the lowest gasoline tax rate among the provinces, 2.5 cents per litre below Manitoba, the second lowest province.

ALBERTA'S TAX ADVANTAGE

2005 (billions of dollars)*



* Other provinces' rates known as of March 21, 2005.

Source: Alberta Finance

- This graph shows the total additional provincial taxes that individuals and businesses would pay if Alberta had the same tax systems as the other provinces. The comparison also includes government revenues from health care insurance premiums and alcohol.
- Albertans would pay almost $7.0 billion more if we had to pay British Columbia's taxes, and $11.4 billion more if we had to pay Newfoundland and Labrador's taxes.

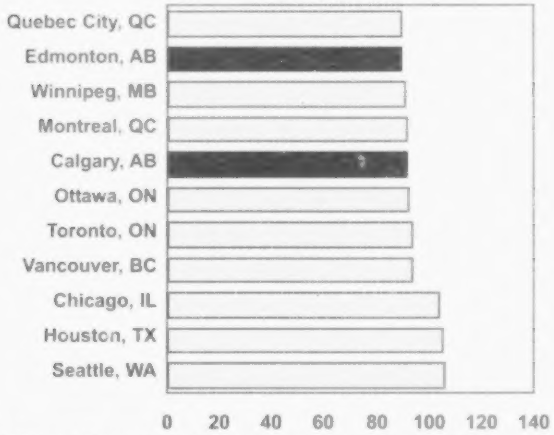
Low Operating Costs

FOR BUSINESSES AND HOUSEHOLDS

When it comes to the cost of living and doing business, the province of Alberta is an attractive place to be. Alberta's favourable business environment encourages investment and allows companies and industries to compete and succeed. Our low taxes, skilled workforce and well-established infrastructure provide additional outstanding advantages.

BUSINESS COSTS INDEX

2004 (US=100.0)*



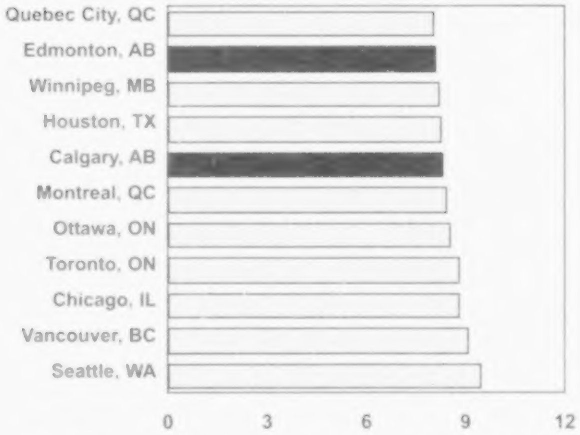
* Based on 27 components of after-tax costs for start-up and operations over an average of 10 years. Above comparisons of Canadian cities are only for those with a population of 500,000 and greater.

Source: KPMG

- Based on KPMG's study of business costs in North America, Europe and Asia-Pacific, Edmonton has the second lowest total costs among the major Canadian cities and all American cities.
- An Edmonton business would have an overall 11% cost advantage over the average U.S. city.

INITIAL INVESTMENT COSTS

2004 (US$ millions)*



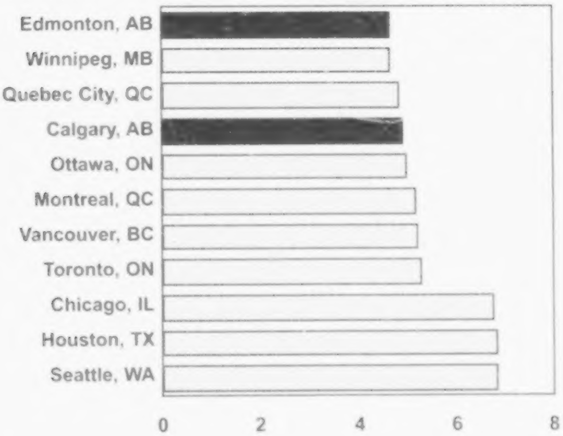
* Above comparisons of Canadian cities are only for those with a population of 500,000 and greater.

Source: KPMG

- Edmonton and Calgary are competitive among major cities for lowest initial investment costs, which consist of land acquisition and building construction costs.

ANNUAL LABOUR COSTS

2004 (US$ millions)*



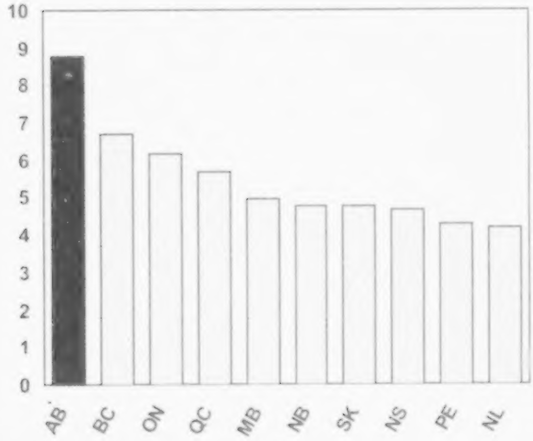
* 10-year average. Above comparisons of Canadian cities are only for those with a population of 500,000 and greater.

Source: KPMG

- Labour costs, a major component of location-sensitive business costs that can range from 56% to 85% of total operations, are lowest in Edmonton among major cities.

INVESTMENT CLIMATE

2004 (scale from 0 to 10)

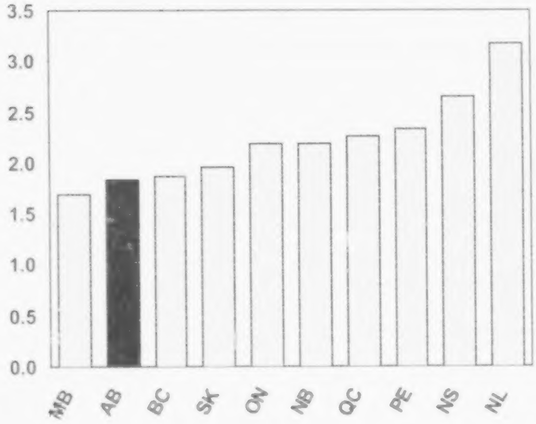


Source: Fraser Institute

- Based on the Fraser Institute's 2004 Survey of Senior Investment Managers, Alberta was in "a league of its own," with the best investment climate among all Canadian provinces.
- Every survey respondent from Alberta indicated that the Alberta government maintains the necessary economic policies for a positive investment climate.

WORKERS' COMPENSATION PREMIUMS

2005 (dollars per $100 of gross payroll)*



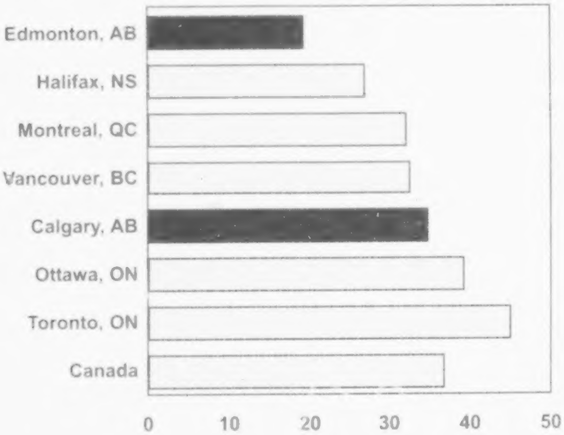
* Provisional average assessment rates. Industry composition and administrative costs vary across provinces in rate calculations.

Source: Association of Workers' Compensation Boards of Canada

- Alberta's average WCB premium rate is the second lowest among the provinces.

OFFICE OCCUPANCY COSTS

2004 (dollars per square foot)*



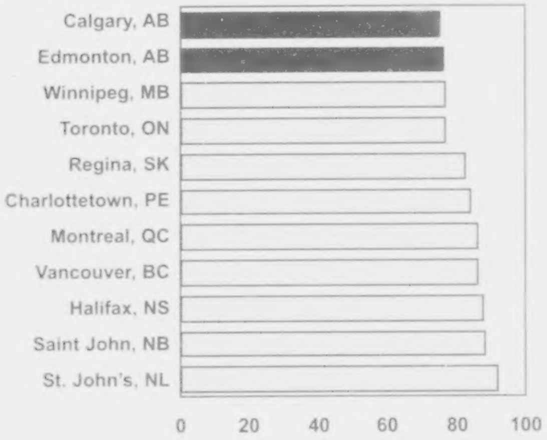
* Total occupancy costs include average net rental rates, taxes and operating costs for typical "Central Class A" offices.

Source: Royal LePage Commercial Inc

- Edmonton has the lowest overall office occupancy costs among major Canadian cities.
- Calgary has lower occupancy costs than in Ontario.

GASOLINE PRICES

2004 Average (cents per litre)*

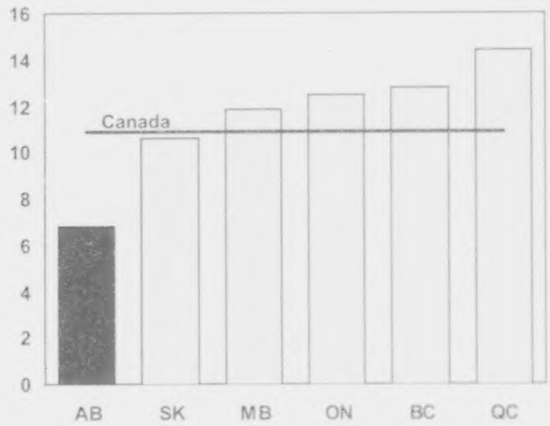


* Regular unleaded gasoline at self-service stations, taxes included.
Source: Statistics Canada

- Calgary and Edmonton continue to have the lowest gasoline prices in Canada, a trend that has been observed for the last fifteen years.

NATURAL GAS RATES

2004 Average (dollars/GJ)*

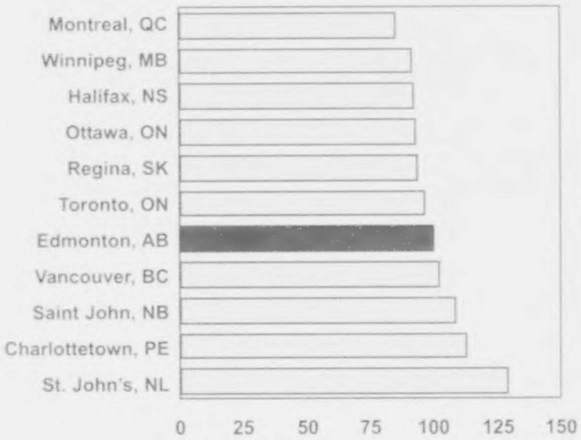


* January to October only. Calculated as sales revenue divided by sales volume. Includes gas costs, as well as all fixed and variable charges, but excludes taxes and rebates.
Source: Statistics Canada

- Albertans enjoyed the lowest residential natural gas rates in Canada during the first ten months of 2004 (the most recent data available).

DAILY LIVING PRICE INDEX

December 2004*

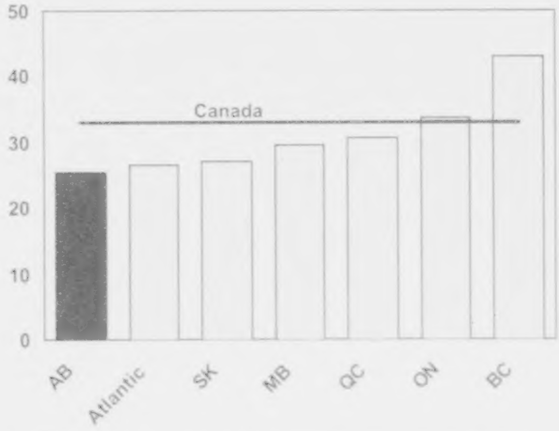


* Converted to index of Edmonton = 100. No data available for Calgary
Source: Statistics Canada

- Residents in Edmonton pay less for daily living than some other Canadian cities such as Vancouver.
- A basket of daily living non-durable goods and services (food, utilities, household operations, transportation, health/personal care, recreation and tobacco/alcohol products) that costs $100 in Edmonton would be approximately $129 in St. John's.

HOUSING AFFORDABILITY

2004 (home ownership costs as a % of pre-tax household income)*

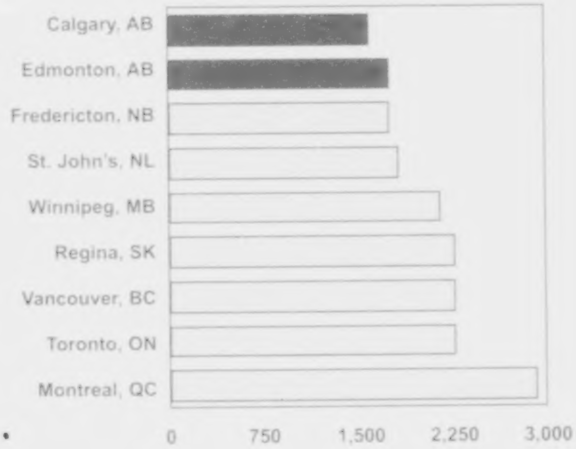


* Home ownership costs include mortgage payments, utilities, and property taxes.
Source: Royal Bank of Canada

- Housing affordability in Alberta is the best among the provinces, as home ownership costs taking up only 25.5% of a typical pre-tax household income.
- More balanced housing market conditions, record-low borrowing rates and good household income gains contributed to Alberta's solid housing affordability in 2004.

NET HOME PROPERTY TAXES

2004 (dollars)*



* Includes municipal, regional and school taxes, net of homeowner grants or credits for a single family house.

Source: The City of Edmonton

- Among major cities, Calgary and Edmonton rank first and second, respectively, when it comes to lowest property taxes for a typical single family house.

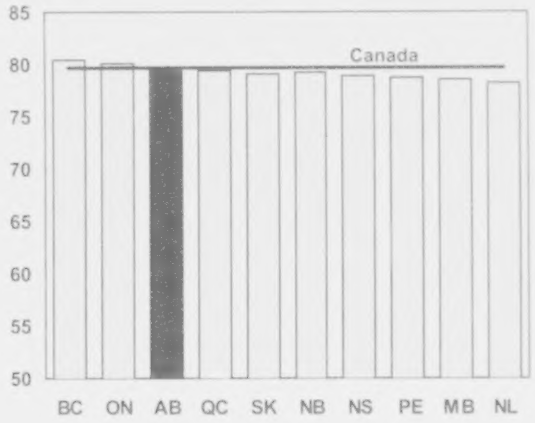
Quality of Life

OUTSTANDING

Each year, thousands of people from the rest of Canada are drawn to this province, well known for its exceptional standard of living. Alberta is a prosperous region, where residents share a rich natural environment and enjoy outstanding opportunities in recreation, arts and culture.

LIFE EXPECTANCY

2002 (years)*



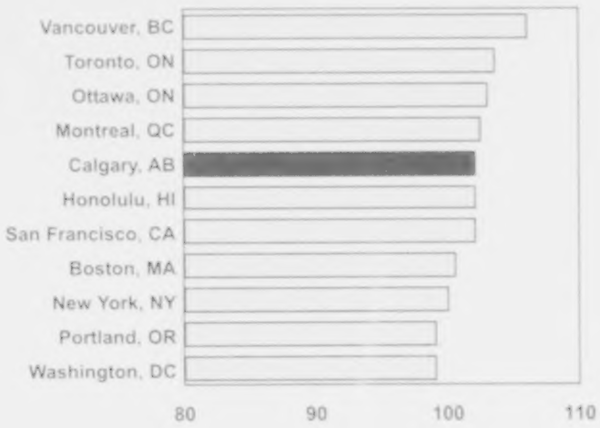
* Average life-span at birth

Source: Statistics Canada

- In 2002, Alberta had the third highest life expectancy at birth among provinces.

QUALITY OF LIFE INDEX

2005 (New York = 100.0)*



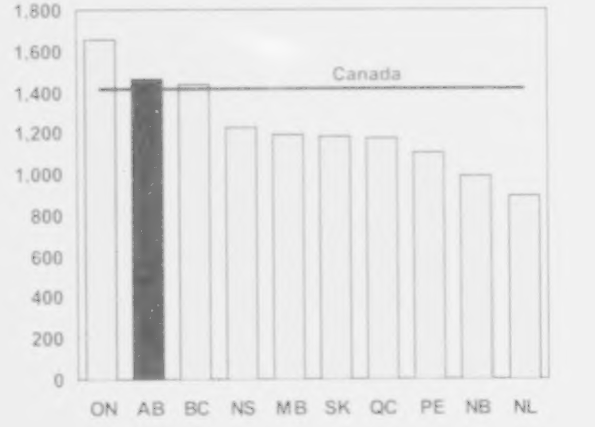
* 39 criteria based on political, social, economic, cultural, and natural environment; health, education, transportation, recreation, consumer goods, housing, and public services. Edmonton not included in survey.

Source: William M. Mercer Companies

- Based on an analysis of "Quality of Life," Calgary places 25th out of 215 major cities in the world, tying with the highest ranked U.S. cities, Honolulu and San Francisco.

EXPENDITURE ON RECREATIONAL ACTIVITIES

2003 Average Expenditure Per Household (dollars per year)*



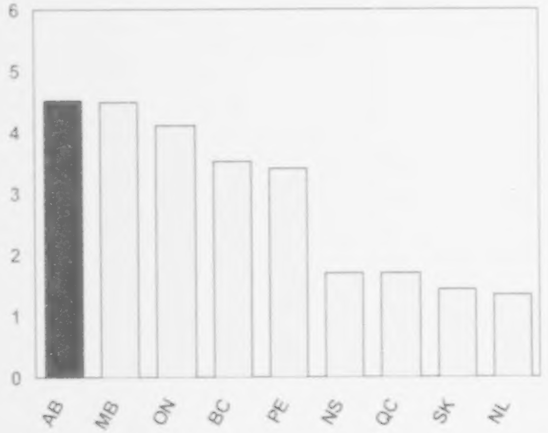
* Expenditure on recreation and entertainment.

Source: Statistics Canada

- With the second highest average household income among the provinces (Ontario with the highest), Albertans are able to spend more on sports, performing arts, and other recreational and entertainment activities.

SUPPORT FOR PERFORMING ARTS

2001-02 Private Sector Donations (dollars per capita)*



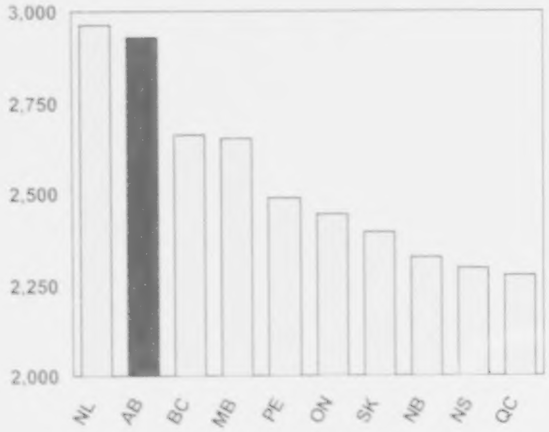
* Includes donations and fundraising. Survey based only on professional performing arts companies with budgets of $100,000 or more.

Source: The Council for Business and the Arts in Canada

- On a per capita basis, Alberta ranks highest for private sector support of the performing arts, according to the most recent data.

PROVINCIAL HEALTH EXPENDITURE

2003-04 (dollars per capita)*



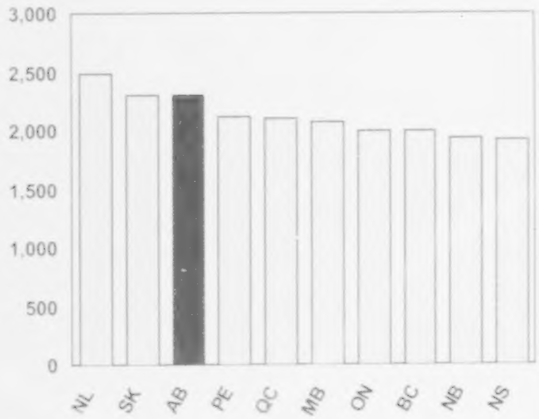
* Adjusted for age and sex, provincial government total health expenditures.

Source: Health Canada, CIHI and Alberta Health and Wellness

- In 2003-04, Alberta's age-sex adjusted health expenditures per capita were the second highest in Canada, $35 less than first place Newfoundland and Labrador.

PROVINCIAL AND LOCAL EDUCATION EXPENDITURE

2003-04 (dollars per capita)*



* Financial Management System Basis, provincial and local government education expenditures.

Source: Statistics Canada

- In 2003-04, Alberta had one of the highest education expenditures on a per capita basis.

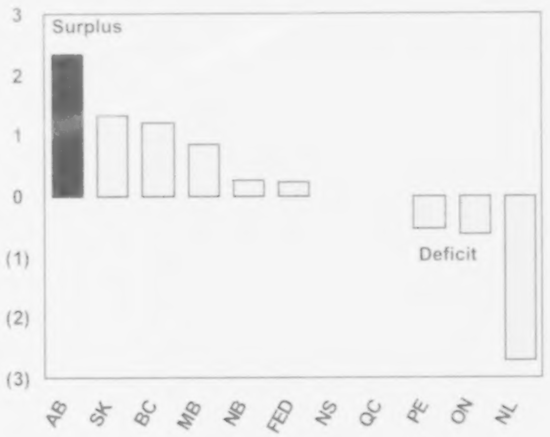
The Alberta Government

ACCOUNTABLE AND FISCALLY RESPONSIBLE

The Alberta government is committed to responding to the needs of its citizens, while ensuring a balanced budget. As the only province with no accumulated debt, Alberta continues to attract international attention as the most fiscally responsible government in Canada.

GOVERNMENT SURPLUSES (DEFICITS)

2004-05 (per cent of GDP)*



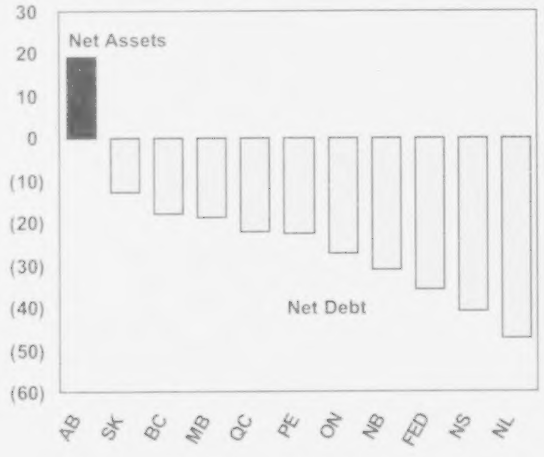
* Other governments as of March 21, 2005. Adjusted for fiscal stabilization fund transfers.

Source: Alberta Finance

- The Alberta government is committed to living within its means.
- Alberta has the highest surplus as a percentage of GDP in 2004-05.

GOVERNMENT NET FINANCIAL ASSETS (DEBT)

March 31, 2005 (per cent of GDP)*



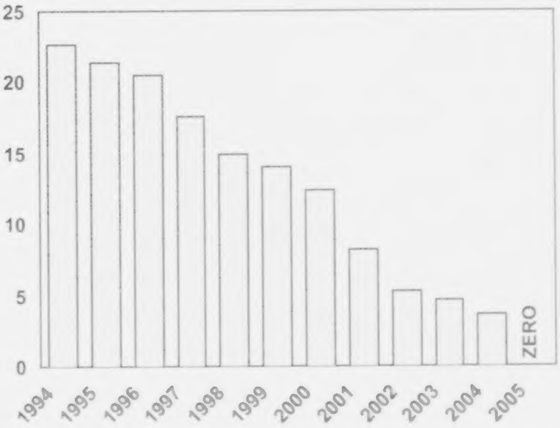
* Other Governments as of March 21, 2005. On a consolidated basis where possible. Excludes pension liabilities.

Source: Alberta Finance

- Alberta is the only provincial government in Canada with total financial assets that exceed total liabilities.
- At March 31, 2005, Alberta's financial assets are forecast to be $31.0 billion. Total liabilities (excluding pension obligations) are forecast to be $11.5 billion, resulting in net financial assets of about $19.5 billion.

ALBERTA'S ACCUMULATED DEBT

March 31 (billions of dollars)*

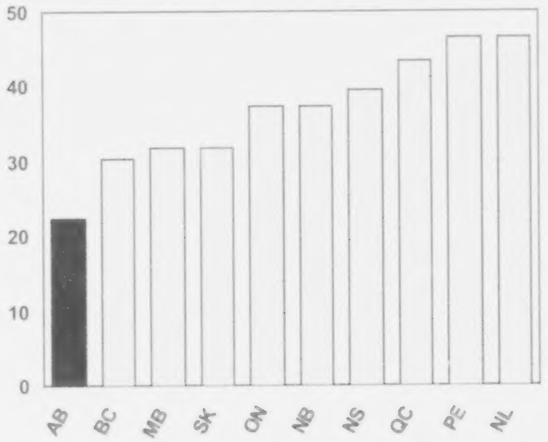


* Net of cash set aside in the Debt Retirement Account.
Source: Alberta Finance

- Alberta's accumulated debt was eliminated as of March 31, 2005.
- This is 20 years ahead of the debt retirement schedule originally legislated in the *Fiscal Responsibility Act*.

BORROWING COSTS

As of March 21, 2005 (basis points)*

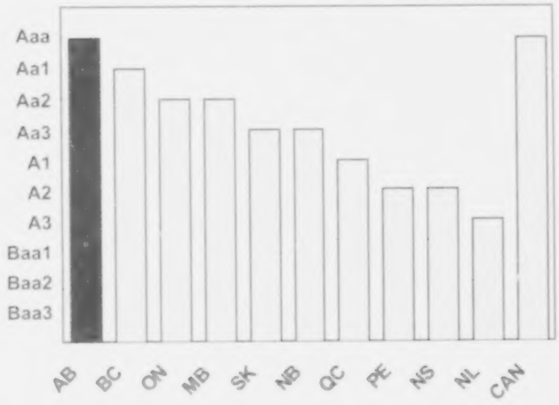


* Interest rates spread relative to 10-year Government of Canada bond rate. A basis point is one-hundredth of a percentage point.
Source: CIBC World Markets

- Alberta has the lowest interest rate spread relative to 10-year Government of Canada bonds of any province in Canada.
- Alberta's strong fiscal performance and top credit rating have led to lower borrowing costs for the province and local authorities that borrow through the Alberta Capital Finance Authority.

CREDIT RATING

As of March 21, 2005*

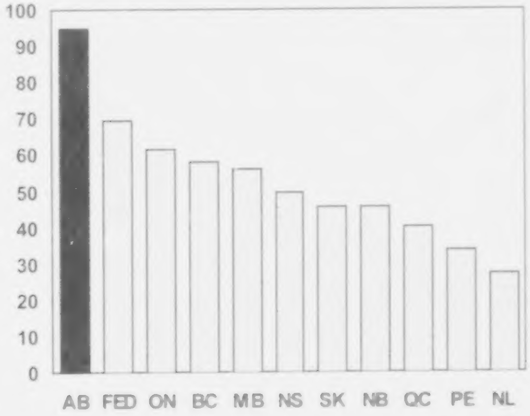


* Moody's Canadian domestic dollar debt ratings
Source: Moody's Investors Services

- Alberta is the top province in Canada for credit worthiness. All major rating agencies (Standard and Poor's, Moody's, and Dominion Bond Rating Service) give Alberta "Triple A," the highest possible rating.
- The high ratings reflect Alberta's strong economic performance, high income levels, low debt burden, and prudent fiscal management.

BUDGET PERFORMANCE INDEX

2005 (100-point index scale)*

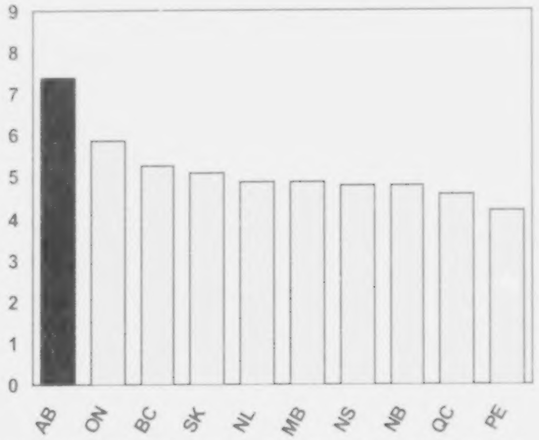


* Index includes 20 indicators of government taxation, spending, deficits and debt over the past five years (1999-00 to 2003-04).
Source: Fraser Institute

- For the eighth consecutive year, Alberta's "A" rating topped all other provinces and the federal goverment on the Fraser Institute's Budget Performance Index.
- According to the index, which is based on the tax and spending behaviour of governments, Alberta's performance surpassed the federal goverment's second place ranking by 37%.

ECONOMIC FREEDOM INDEX - CANADA

2002 (10-point index scale)*



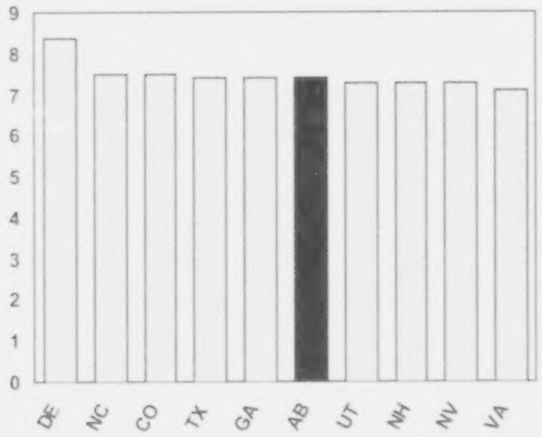
* Component ratings include government operations and regulations, taxation, and labour market regulations.

Source: Fraser Institute

- The Fraser Institute's measure of economic freedom (which indicates the fostering of economic growth and prosperity through minimal government regulation and taxation) rates Alberta number one in Canada as a place to do business.

ECONOMIC FREEDOM INDEX - NORTH AMERICA

2002 (10-point index scale)*



* Component ratings include government operations and regulations, taxation, and labour market regulations.

Source: Fraser Institute

- Improving upon its best-ever tenth place finish in 2001 (Alberta was the first Canadian province to break into the top 10 in North America), Alberta tied with Texas and Georgia for fourth place in the Fraser Institute's 2002 measure of economic freedom.

ALBERTA TAX ADVANTAGE

2005
BUDGET

Table of Contents

Introduction .131
Personal Taxes .132
  Alberta Family Employment Tax Credit .132
  Personal Income Taxes .134
Corporate Taxes .135
School Property Taxes .136
Premiums and Other Levies .137

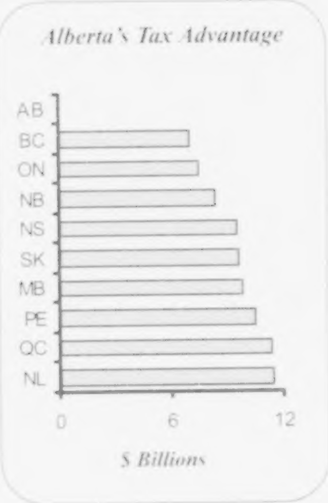
LIST OF TABLES AND CHARTS

Alberta's Tax Advantage .131
AFETC Reform Benefits by Family Income .132
Enhanced Alberta Family Employment Tax Credit .133
2005 Distribution of Personal Income Tax Burden .134
Alberta Non-Refundable Tax Credit Block .134
Effective Marginal Tax Rate on Capital Investment G8 Countries, 2004 .135
Provincial Uniform School Property Tax Rates .136
Basic Education Funding .136
2005-06 Tax Revenue .138
2005-06 Revenue from Tax Sources .139
Interprovincial Tax and Health Care Insurance Premium Comparison, 2005 .140
Major Provincial Tax Rates, 2005 .141
Top Marginal Personal Income Tax Rates, 2005 .141
Net Property Tax for a Single Family Home, 2004 .142

Alberta Tax Advantage

HIGHLIGHTS

- Albertans continue to pay the lowest taxes in Canada.
- The Alberta Family Employment Tax Credit will be enhanced, delivering more benefits to more families.
- Property tax rates will fall by about 5%.
- The 5% hotel room tax is converted into a 4% tourism levy.



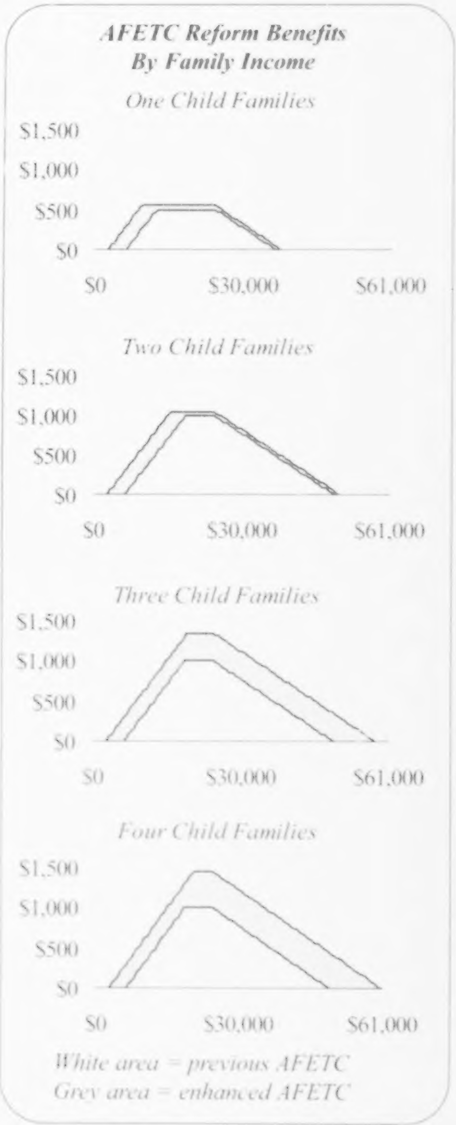
INTRODUCTION

Tax systems have a profound impact on our everyday lives. Taxes affect business decisions to invest and innovate, and people's decisions on where they live and work and how much they spend. While taxes pay for public services, taxes that are too high, or levied inefficiently, impact economic growth and eventually, those same public services. Alberta is committed to a tax system that provides revenue for government programs in a way that minimizes the impact to businesses and individuals.

Provincially, Albertans pay low personal income taxes, property taxes and fuel taxes, and pay no general sales taxes. Businesses pay low corporate income taxes, no general sales taxes on their business inputs, no general payroll taxes and no capital taxes. We have been able to keep rates low in part because we have not introduced special tax incentives for certain groups or activities. If Alberta had the tax system of any other province, Albertans and Alberta businesses would pay at least $6.9 billion more in tax each year.

Alberta's tax system promotes economic growth. With the lowest taxes in Canada, more money stays in the pockets of Albertans, who know best how to spend and invest it. Low taxes encourage businesses to innovate and help attract investment, creating opportunities for Albertans.

Alberta Family Employment Tax Credit


AFETC Reform Benefits
By Family Income

White area = previous AFETC
Grey area = enhanced AFETC

The Alberta Family Employment Tax Credit (AFETC) was introduced in 1997 to increase support to low and middle income families and to encourage work effort. Families receive a refundable tax credit worth up to $500 per child and $1,000 per family. The credit is phased in at a rate of 8% once families earn at least $6,500 in annual working income. The credit is phased out at a rate of 4% starting when annual family net income reaches $25,000. It is fully phased out by $37,500 for families with one child and $50,000 for families with two children.

The AFETC has been very successful in supporting working families. We want to build on that success by enhancing the benefits under the program, and expanding it to include more children. Families will now receive up to $550 for the first child, $500 for the second, $300 for the third and $100 for the fourth. We also want to make sure that these benefits are not eaten away by inflation. We will index benefits and the phase-out threshold at the same rate as the other personal tax credits.

The $6,500 qualifying threshold targets benefits to working families. We want to maintain that link to the workforce, but extend the benefit to families who do not meet the current threshold requirement. Consequently, we are lowering the qualifying threshold to $2,760. In the process, we increase benefits for many working families currently receiving the credit.

The changes made in *Budget 2005* will help about 146,000 families, with 13,000 families being added to the program. It will put about $25 million more into the pockets of Alberta families. A family with three children and $40,000 in working income will get an additional $350 as a result of the changes. A single parent with one child and $5,000 in working income will now be eligible for benefits, and will receive $179.

Indexing will commence in July 2006. All other enhancements will begin this July. We will make our best efforts to deliver the increased payments by that time. If administrative difficulties arise, Albertans who benefit from the expanded program will receive a retroactive payment at a later date.

Enhanced Alberta Family Employment Tax Credit

(dollars)

Alberta Family Employment Tax Credit enhanced:

- *Extended to 3rd and 4th children.*
- *Qualifying threshold reduced from $6,500 to $2,760.*
- *$50 more for 1st child.*
- *Credit amount and phase-out threshold indexed.*

Number of Children	1	2	3	4
Families with $5,000 Income				
Current	0	0	0	0
Enhanced	179	179	179	179
Additional Benefit	**179**	**179**	**179**	**179**
Families with $10,000 Income				
Current	280	280	280	280
Enhanced	550	579	579	579
Additional Benefit	**270**	**299**	**299**	**299**
Families with $15,000 Income				
Current	500	680	680	680
Enhanced	550	979	979	979
Additional Benefit	**50**	**299**	**299**	**299**
Families with $20,000 Income				
Current	500	1,000	1,000	1,000
Enhanced	550	1,050	1,350	1,379
Additional Benefit	**50**	**50**	**350**	**379**
Families with $25,000 Income				
Current	500	1,000	1,000	1,000
Enhanced	550	1,050	1,350	1,450
Additional Benefit	**50**	**50**	**350**	**450**
Families with $30,000 Income				
Current	300	800	800	800
Enhanced	350	850	1,150	1,250
Additional Benefit	**50**	**50**	**350**	**450**
Families with $40,000 Income				
Current	0	400	400	400
Enhanced	0	450	750	850
Additional Benefit	**0**	**50**	**350**	**450**
Families with $50,000 Income				
Current	0	0	0	0
Enhanced	0	50	350	450
Additional Benefit	**0**	**50**	**350**	**450**
Families with $60,000 Income				
Current	0	0	0	0
Enhanced	0	0	0	50
Additional Benefit	**0**	**0**	**0**	**50**

Assumes the families' working income equals their net income.

146,000 families benefit with 13,000 new families added to the program.

Personal Income Taxes

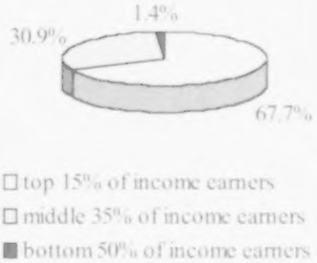
Alberta's single rate tax system is fair and good for economic growth. At 10%, Alberta has the lowest top marginal rate in Canada. This attracts people to Alberta and rewards the efforts of the workers that drive our economy.

The highest basic and spousal amounts in the country allow Albertans to earn more money before they pay any provincial income tax. A typical working individual can earn $15,400 without paying the tax. A typical working family with two children can earn up to $36,100 before paying provincial income tax, as the Alberta Family Employment Tax Credit offsets any taxes paid to that level.

We indexed the tax system to inflation when we introduced the single rate tax, ensuring that taxes do not increase simply because credit amounts have not increased with inflation. For 2005, most personal tax credits will increase by 1.3%. Basic and spousal amounts will rise by $186 to $14,523.

In its latest budget, the federal government enhanced several non-refundable tax credits and introduced a new credit for adoption expenses. Alberta will parallel these changes, with the exception of the change to the federal basic, spousal and eligible dependant amounts, as our amounts are already much higher than the respective federal amounts.

2005 Distribution of Personal Income Tax Burden



Alberta Non-Refundable Tax Credit Block

(dollars)

	2004		2005	
	Maximum Amount	Deduction from Alberta Tax	Maximum Amount	Deduction from Alberta Tax
Basic personal amount	14,337	1,434	14,523	1,452
Spousal amount	14,337	1,434	14,523	1,452
Eligible dependant amount	14,337	1,434	14,523	1,452
Age amount	4,022	402	4,074	407
Infirm dependant amount	3,890	389	3,940	394
CPP contributions	1,832	183	1,861	186
Employment Insurance contributions	772	77	761	76
Pension income amount	1,111	111	1,126	113
Disability amount	6,668	667	6,755	676
Disability supplement	3,890	389	3,940	394
Tuition and education amounts	Variable	Variable	Variable	Variable
Adoption expenses	—	—	10,000	1,000
Medical expenses	Variable	Variable	Variable	Variable
Medical expenses (other dependants)	5,000	500	10,000	1,000
Caregiver amount	3,890	389	3,940	394
Interest on student loans	Variable	Variable	Variable	Variable
Donations and gifts				
- first $200	200	20	200	20
- over $200	75% of income	Variable	75% of income	Variable

In general, credit amounts are multiplied by 10% to arrive at the deduction from Alberta tax. In the case of donations and gifts over $200, the credit rate is increased to 12.75%.

CORPORATE TAXES

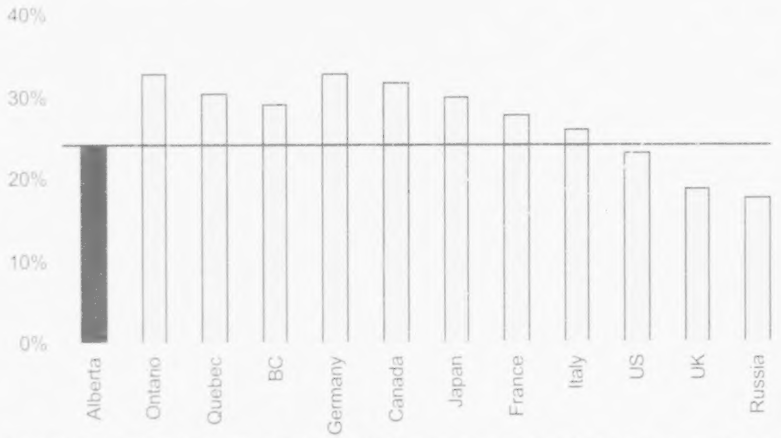
> *"Alberta has been and remains still the least expensive province in which to do business when it comes to taxes."*
>
> **The Gartman Letter**
> **March 17, 2005**

Alberta's corporate tax system must be competitive to attract investment and provide more opportunities for Albertans. When tax rates are too high, businesses may choose other jurisdictions in which to locate or expand their operations. Low tax rates on capital investment are particularly important. They are a key factor in encouraging businesses to invest in new technologies and machinery, increasing innovation and boosting productivity, and ultimately resulting in a higher standard of living.

The tax rate on capital investment is dependent upon the general income tax rate. It also depends on other taxes such as capital taxes and sales taxes on capital purchases. In addition, jurisdictions that allow assets to be depreciated faster have a lower "effective" tax on capital, all other things being equal, than jurisdictions where assets must be depreciated more slowly.

In Canada, companies depreciate assets through the capital cost allowance (CCA) system at rates intended to approximate the economically useful life of the asset. However, some CCA rates are too low. In these cases, companies may delay or reduce investment in new technologies because the cost of the asset cannot be recovered over a reasonable period. The recent federal budget boosted CCA rates for electrical turbines and distribution systems, oil and gas pipelines, and telecommunications infrastructure to better match their economically useful lifespan. To encourage investment by Alberta companies, we will parallel those changes for Alberta tax purposes.

Effective Marginal Tax Rate on Capital Investment G8 Countries, 2004



The effective marginal tax rate reflects the tax burden on a just-profitable capital investment. It incorporates corporate income taxes, including the treatment of depreciation, inventory and financing expenses, capital taxes and sales taxes on capital components. The Canadian rates are averages across all industries excluding the resource sector, while foreign rates are averages between the manufacturing and service sectors.
Source: C.D. Howe Institute.

Alberta provides an attractive tax environment for business. We are competitive with other jurisdictions and intend to remain that way. While further corporate income tax cuts remain a goal, Albertans have indicated that right now, other priorities take precedence.

Provincial Uniform School Property Tax Rates

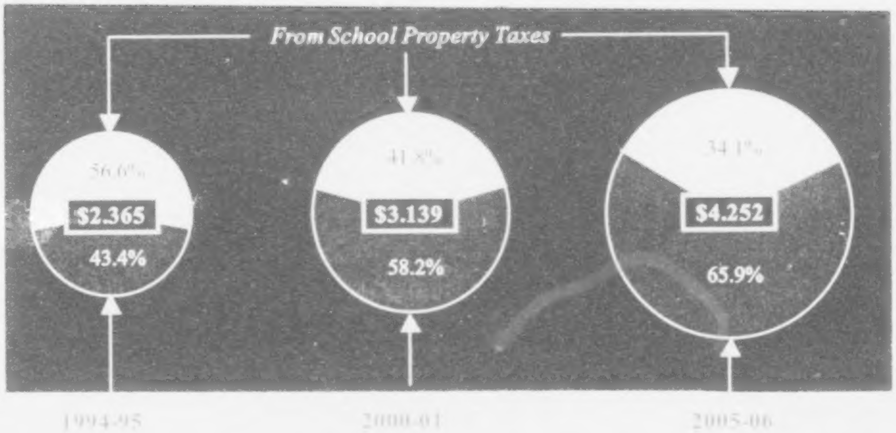
SCHOOL PROPERTY TAXES

In each year since the province took over responsibility for the school property tax in 1994, tax rates have either been reduced or frozen, for total reductions of over 30%. This record of rate reductions is part of the reason why Albertans pay among the lowest property taxes in Canada. In 2005, school property tax rates will be reduced by about 5%. Rates for residential and farm property will fall to $5.17 from $5.44 per $1,000 of equalized assessment. Commercial property rates will be reduced to $7.59 from $7.99 per $1,000 of equalized assessment.

Revenue from the school property tax is expected to be $1.45 billion in 2005-06, including revenue for opted-out school boards. Government revenue will be $1.273 billion, a 3.2% increase over 2004-05. Revenue is increasing even as tax rates are falling because Alberta's assessment base has grown as new homes and businesses are built. The increase in revenue corresponds to the increase in enrolment related to new development. School property taxes now comprise approximately 34% of the total funding for basic education.

For seniors who choose to stay in their current homes, the government will provide a rebate to assist with the year-over-year increases in school property taxes. This annual rebate will be equal to the increase in school property taxes from 2004. This program will save seniors around $7 million in 2005-06, with the amount growing in future years. Seniors will still be subject to any increases in municipal property taxes.

Basic Education Funding
(billions)



The government portion of basic education funding from general revenue is growing while the amount paid from property taxes is decreasing.

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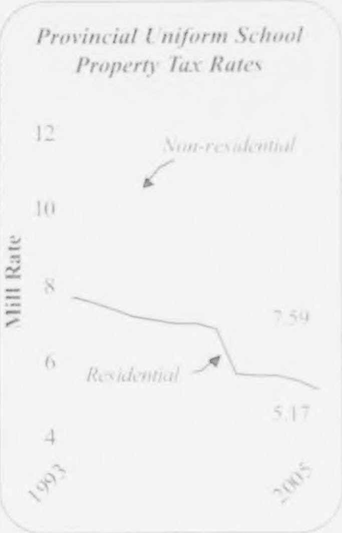
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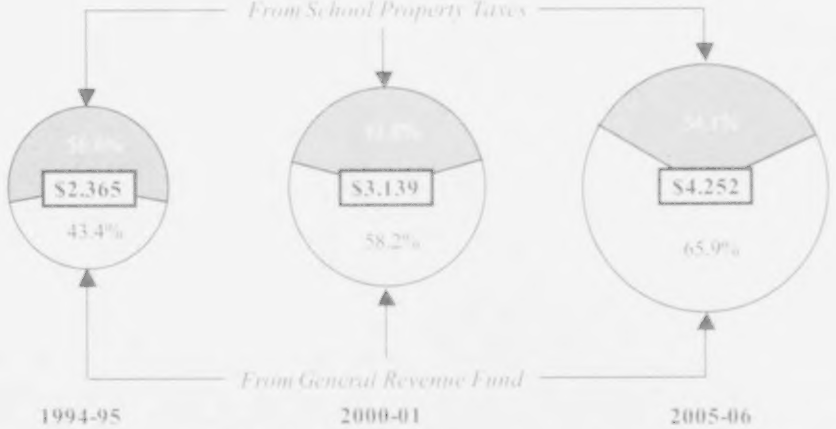
Basic Education Funding (billions)



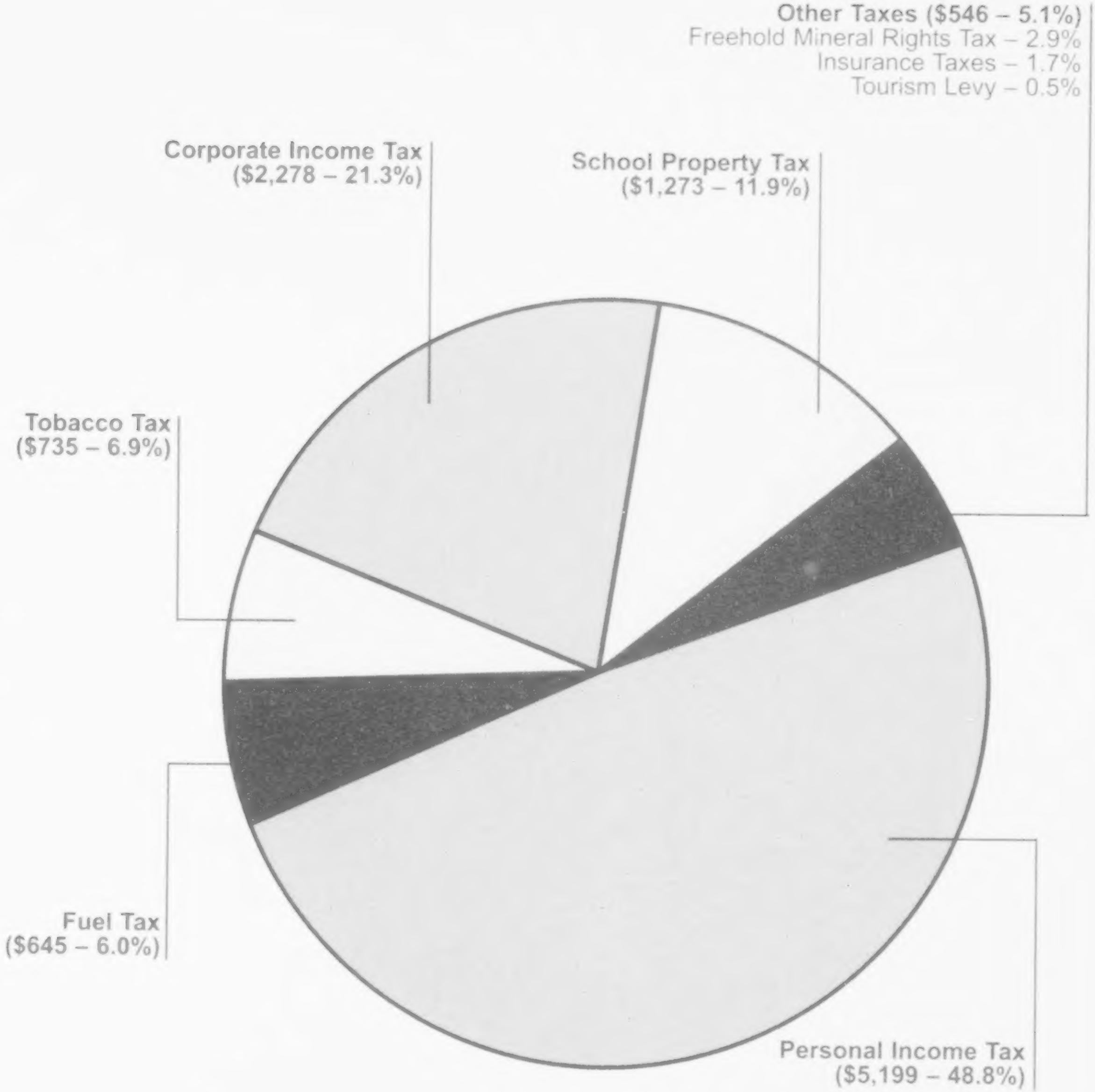
The provincial portion of basic education funding from general revenue is growing while the amount paid from property taxes is shrinking.

PREMIUMS AND OTHER LEVIES

As part of an overall plan to enhance their benefits, as of October 1, 2004, all Alberta seniors are exempt from paying health care insurance premiums. While low income seniors were previously exempt from premiums, over 170,000 seniors that were paying before are now exempt as well. The change will result in about $90 million staying in the pockets of Alberta's seniors in 2005-06.

On April 1, 2005, Alberta's hotel room tax was reduced from 5% to 4% and converted into a tourism levy, saving guests of Alberta accommodation over $11 million in 2005-06. Provincial spending on tourism marketing and development in a year will now be determined by the amount the levy raised two years previously.

2005-06 Tax Revenue
$10,676 million



2005-06 Revenue from Tax Sources

(millions of dollars)

Tax	Total Revenue	Tax Rate	Revenue per Unit of Tax
1. **Personal Income Tax**	**5,199**		
Single rate tax	5,281	10.0%	528.1 per point
Family Employment Tax Credit	(85)		(difficult to express in per unit terms)
NHL Players Tax	3.5	12.5%	0.3 per point
2. **Corporate Income Tax**	**2,278**		
General	2,091	11.5%	181.8 per point
Small business	187	3.0%	62.3 per point
3. **School Property Tax** [a]	**1,273**		
Residential/farm	746	$5.17/$1,000 of assessment	144.3 per mill
Non-residential	527	$7.59/$1,000 of assessment	69.4 per mill
4. **Tobacco Tax**	**735**	$32/carton	23.0 per $/carton
5. **Fuel Tax**	**645**		
Gasoline and diesel	626	9.0 ¢/litre	69.6 per ¢/litre
Propane	7	6.5 ¢/litre	1.1 per ¢/litre
Aviation	8	1.5 ¢/litre	5.3 per ¢/litre
Railway	4	1.5 ¢/litre	2.7 per ¢/litre
6. **Freehold Mineral Rights Tax**	**310**		(difficult to express in per unit terms)
7. **Insurance Taxes**	**186**		
Life, accident, sickness	50	2% of premium	25.0 per point
Automobile and other	136	3% of premium	45.3 per point
8. **Tourism Levy**	**50**	4.0%	12.5 per point

[a] Does not include revenue of $177 million raised for opted-out school boards.

Interprovincial Tax and Health Care Insurance Premium Comparison, 2005

(dollars)

	AB	BC	SK	MB	ON	QC	NB	NS	PE	NL
Employment Income of $30,000 – One Income Family with Two Children										
Provincial income tax	**(865)**	616	555	516	(380)	(3,651)	1,067	977	1,113	1,442
Provincial sales tax	**-**	723	506	849	888	1,107	1,111	1,101	1,317	1,323
Health care premium	**201**	227	-	-	225	-	-	-	-	-
Payroll tax	**-**	-	-	236	280	637	-	-	-	179
Fuel tax	**270**	435	450	345	441	456	435	465	510	495
Subtotal	**(394)**	2,001	1,511	1,946	1,454	(1,451)	2,613	2,543	2,940	3,439
Tobacco tax	**800**	895	875	875	585	515	588	776	873	839
Total	**406**	2,896	2,386	2,821	2,039	(936)	3,201	3,319	3,813	4,278
Alberta Advantage		2,490	1,980	2,415	1,633	(1,342)	2,795	2,913	3,407	3,872
Employment Income of $60,000 – Two Income Family with Two Children										
Provincial income tax	**1,936**	1,694	2,898	3,108	1,416	1,280	3,159	3,090	3,314	3,647
Provincial sales tax	**-**	1,057	886	1,215	1,434	1,826	1,618	1,601	1,914	1,930
Health care premium	**792**	972	-	-	265	-	-	-	-	-
Payroll tax	**-**	-	-	472	561	1,274	-	-	-	357
Fuel tax	**405**	653	675	518	662	684	653	698	765	743
Subtotal	**3,133**	4,376	4,459	5,313	4,338	5,064	5,430	5,389	5,993	6,677
Tobacco tax	**800**	895	875	875	585	515	588	776	873	839
Total	**3,933**	5,271	5,334	6,188	4,923	5,579	6,018	6,165	6,866	7,516
Alberta Advantage		1,338	1,401	2,255	990	1,646	2,085	2,232	2,933	3,583
Employment Income of $100,000 – Two Income Family with Two Children										
Provincial income tax	**5,227**	4,501	6,820	7,680	4,500	8,196	7,425	7,559	7,515	8,555
Provincial sales tax	**-**	1,615	1,333	1,812	2,151	2,588	2,426	2,392	2,876	2,875
Health care premium	**792**	972	-	-	675	-	-	-	-	-
Payroll tax	**-**	-	-	786	934	2,123	-	-	-	596
Fuel tax	**405**	653	675	518	662	684	653	698	765	743
Subtotal	**6,424**	7,741	8,828	10,796	8,922	13,591	10,504	10,649	11,156	12,769
Tobacco tax	**800**	895	875	875	585	515	588	776	873	839
Total	**7,224**	8,636	9,703	11,671	9,507	14,106	11,092	11,425	12,029	13,608
Alberta Advantage		1,412	2,479	4,447	2,283	6,882	3,868	4,201	4,805	6,384

Calculations are based on other provinces' tax parameters known as of March 21, 2005.

Assumptions:

- Business is assumed to bear between 25% and 60% of the provincial sales tax, depending upon the provincial tax regime.
- Health care insurance premiums are net of premium subsidies.
- In provinces that impose payroll taxes, 75% is assumed to be borne by employees and 25% by employers. The same 75/25 split is assumed for the net health care insurance premiums.
- Fuel tax is based on estimated consumption of 3,000 litres per year for one-income families and 4,500 litres for two-income families.
- Tobacco tax is based on estimated consumption of 100 packs per adult per year.
- RRSP/RPP contributions of $1,000, $7,800 and $13,500 are included in the calculation of personal income tax for the $30,000, $60,000 and $100,000 families, respectively.
- For two-income families, income and RRSP/RPP contributions are split 60/40 between the two spouses.
- The children in each family are assumed to be 6 and 12 years old.

Major Provincial Tax Rates, 2005

		AB	BC	SK	MB	ON	QC	NB	NS	PE	NL
Personal Income Tax											
Statutory rate range											
– lowest rate	(%)	10.00	6.05	11.00	10.90	6.05	16.00[a]	9.68	8.79	9.80	10.57
– highest rate	(%)	10.00	14.70	15.00	17.40	11.16	24.00[a]	17.84	17.50	16.70	18.02
Surtax	(%)	—	—	—	—	20.0/36.0	—	—	10.0	10.0	9.0
Credit amounts											
– Personal amount	($)	14,523	8,676	8,404	7,634	8,196	6,365	7,888	7,231	7,412	7,410
– Spousal amount	($)	14,523	7,429	8,404	6,482	6,960	6,365	6,698	6,140	6,294	6,055
Corporate Income Tax											
General rate	(%)	11.5	13.5	17.0	15.0	14.0	8.9	13.0	16.0	16.0	14.0
M&P rate	(%)	11.5	13.5	10-17[b]	15.0	12.0	8.9	13.0	16.0	7.5	5.0
Small business											
– rate	(%)	3.0	4.5	5.0	5.0	5.5	8.9	2.5	5.0	7.5	5.0
– threshold	($000)	400	400	300	400	400	n/a	425	300	300	300
Capital Tax											
General	(max.%)	—	—	0.60	0.50	0.30	0.60	0.30	0.30	—	—
Financial institutions	(max.%)	—	3.00	3.25	3.00	0.90	1.45[c]	3.00	4.00	5.00	4.00
Retail Sales Tax	(%)	—	7.0	7.0	7.0	8.0	7.5[d]	8.0	8.0	10.0[d]	8.0
Gasoline Tax	(¢/litre)	9.0	14.5[e]	15.0	11.5	14.7	15.2[e,f]	14.5[f]	15.5[f]	17.0	16.5[f]
Tobacco Tax	($/carton)	32.00	35.80	35.00[f]	35.00[f]	23.45	20.60	23.50[f]	31.04[f]	34.90	34.00[f]
Payroll Tax	(max.%)	—	—	—	2.15	1.95	4.26[g]	—	—	—	2.00

Rates for other provinces known as of March 21, 2005

[a] Quebec residents receive an abatement of 16.5% of basic federal tax in lieu of federal cash transfers to Quebec for several social programs.

[b] The general corporate tax rate is reduced by up to 7 points based on the share of a corporation's national manufacturing and processing income allocated to Saskatchewan.

[c] The Quebec financial institutions capital tax includes the base rate of 1.20% and a compensatory tax of 0.25%.

[d] These provinces apply their retail sales tax on the retail price of the good inclusive of the GST.

[e] An additional 6¢/litre is imposed in the greater Vancouver area, 2.5¢/litre in Victoria and 1.5¢/litre in Montreal.

[f] These provinces apply their retail sales taxes on the retail price of the good inclusive of the particular excise tax.

[g] Quebec levies an additional 2% compensatory tax on the wages paid by financial institutions that is not included in this rate.

Top Marginal Personal Income Tax Rates, 2005

(per cent)

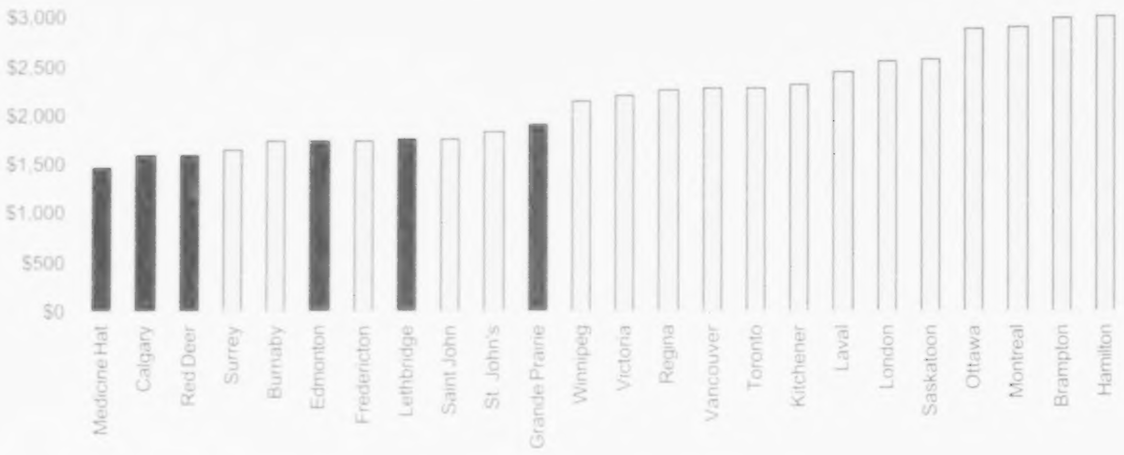
	AB	BC	SK	MB	ON	QC	NB	NS	PE	NL
Federal	29.00	29.00	29.00	29.00	29.00	29.00	29.00	29.00	29.00	29.00
Provincial	10.00	14.70	15.00	17.40	17.41	24.00	17.84	19.25	18.37	19.64
Federal abatement[a]	—	—	—	—	—	(4.79)	—	—	—	—
Total	39.00	43.70	44.00	46.40	46.41	48.21	46.84	48.25	47.37	48.64

Rates for other provinces known as of March 21, 2005.

[a] Quebec residents receive an abatement of 16.5% of basic federal tax in lieu of federal cash transfers to Quebec for several social programs. This reduces the top federal rate of 29% by 16.5%, or 4.79% of taxable income.

Net Property Tax for a Single Family Home, 2004

(selected Canadian cities)



Notes:

1. Includes municipal, regional and school taxes, net of any applicable homeowner grants.
2. Taxes are based on the value of a single family home, defined as a 25-30 year old detached bungalow with 3 bedrooms, a main floor area of 1,200 square feet, finished full basement, double car garage, and a 6,000 square foot lot. Information for Vancouver, Surrey and Burnaby is based on an average-value home that may differ from the above definition.

Source: City of Edmonton, Planning and Development, 2004 Residential Property Taxes & Utility Charges Survey

RESPONSE TO AUDITOR GENERAL

2005

BUDGET

Response to the Auditor General

Every year the Auditor General prepares an annual report on the scope and findings of the work carried out by the Office of the Auditor General. The following are the numbered recommendations in the Auditor General's 2003-04 Annual Report and the government's response to each of them.

For accountability purposes, we have also responded to the recommendation on contracting for consulting services.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
Cross Ministry	
1. Succession management guidance	
We recommend that the Personnel Administration Office, working with deputy ministers, provide additional guidance and support to help all departments implement succession management systems.	Accepted. Additional guidance and support will be provided.
Public Private Partnerships (P3s)	
2. Identifying opportunities to use a P3	
We recommend that the Ministries of Infrastructure and Transportation, as co-chairs of the Deputy Minister Capital Planning Committee, work with the Ministry of Finance and other ministries to: 1. improve the definition of a P3 2. determine key prerequisites to identify projects most suitable for P3s 3. define when differences in key processes are appropriate 4. improve the timeliness of information and the overall analysis of alternatives to decision makers 5. define what constitutes a significant change in project scope 6. evaluate transparency and accountability of P3s	Accepted. The Ministries of Infrastructure and Transportation, and Finance will work through the Capital Planning Initiative to define and improve Alberta's P3 process by addressing the six identified items.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
Agriculture, Food and Rural Development	
3. Risk assessment for the agriculture and agri-food industry in Alberta	
We recommend that the Department of Agriculture, Food and Rural Development complete a risk assessment that analyzes the probability of major risks to the agriculture and agri-food industry in Alberta. Based on the results of the risk assessment, the Department should also develop risk mitigation and response strategies.	Accepted. More formalized processes for sharing the potential impacts of known risks on the agricultural economy and international trade will be implemented. Ministry officials are targeting for 2004-05 implementation, but completion will be dependent on the Ministry's ability to reallocate resources from other response priorities.
4. Measurable targets	
We recommend that the Department of Agriculture, Food and Rural Development establish measurable targets for its emergency financial assistance programs.	Accepted. The Ministry will endeavour to establish reasonable targets for emergency response programs. Decision templates have been updated to incorporate formal documentation of this component.
5. Contingency planning	
We recommend that the Department of Agriculture, Food and Rural Development, working with other governments and industry, immediately develop and implement a contingency planning process.	Accepted. Numerous activities are underway to resolve critical issues as soon as possible. In addition, the Foreign Animal Disease Eradication Support (FADES) Plan for Alberta is in the final stages of renewal. This plan incorporates a contingency plan for highly contagious foreign animal disease outbreaks. However, a specific timeline for implementation of additional components such as an economic impact analysis has not yet been identified given the multi-jurisdictional nature of these issues.
6. BSE testing quota	
We recommend that the Department of Agriculture, Food and Rural Development, working with the federal Canadian Food Inspection Agency (CFIA) and the beef and related industries, ensure that Alberta meets its contribution to Canada's BSE testing quota.	Accepted. The recently implemented Canada-Alberta BSE Surveillance Program has increased the number of heads that are being tested. This program, combined with the construction of the new Level 3 biocontainment laboratory, will help to ensure Alberta meets its contribution.
Children's Services	
7. Reporting to senior management on the Delegated First Nation Agencies	
We recommend that the Ministry of Children's Services improve the quality of its reporting to Ministry senior management on program delivery at the Agencies.	Accepted. A number of actions are being undertaken this year to standardize the reporting of the Delegated First Nation Agencies. The Ministry is developing a standard annual report format and monitoring checklists that will improve the quality of the reporting to senior management. In addition, a quality assurance review is underway to assess the data elements in the Ministry's information system to address the appropriateness and accuracy of these elements as key indicators in the annual report process.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
Community Development	
8. Service provider risk assessment We recommend that the Persons with Developmental Disabilities Provincial Board, in conjunction with the six Community Boards, reduce the risk of service providers breaching contracts by: • performing a risk assessment to identify service providers with a high risk of breaching contracts; and • auditing high-risk service providers to ensure that they spend funding according to their contracts and that they meet the other terms of their contracts.	Accepted. The Persons with Developmental Disabilities Provincial Board will work with the Office of the Chief Internal Auditor to conduct a risk assessment of service providers. Those service providers that are assessed to be high risk will be audited this fiscal year. The results of the risk assessment will also be used to design and implement a sustainable, risk-based internal audit plan that will be ongoing into the future.
9. Contract monitoring and evaluation We recommend that the Persons with Developmental Disabilities Provincial Board work with the six Community Boards to strengthen the monitoring and evaluation of the performance of service providers by: • requiring individual funding service providers to provide adequate financial reporting; • obtaining annual financial statements to evaluate the financial sustainability of critical service providers; • implementing a sustainable, risk-based internal audit plan; • developing and implementing standard procedures to be followed when Community Board staff are in contact with service providers; and • implementing a method to evaluate service provider performance.	Accepted. The Persons with Developmental Disabilities Provincial Board will work with the Community Boards to enhance accountability by implementing the policy and practice changes recommended by the Auditor General. This will result in more rigorous standard accountability requirements across all PDD-funded service providers. Policy development and related staff training will be completed by March 2005 for implementation at the beginning of the 2005-06 fiscal year.
Energy	
10. Oil sands projects approvals We recommend that the Department of Energy: • set expected ranges for analyzing the costs and forecasted resource prices submitted on oil sands project applications. • incorporate risk into its present value test used to assess project applications.	Accepted. The ranges will be developed in 2004-05. The recommendation to "incorporate risk into its present value test used to assess project applications" is accepted in principle and will be fully considered and assessed, including consultation with potentially affected stakeholders commencing in 2004-05.
11. Evaluation of industry reporting We recommend that the Department of Energy improve its documentation of its verification procedures for oil sands royalty information and its audit results.	Accepted. Several improvements have already been implemented.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
12. Alberta Royalty Tax Credit program	
We again recommend that the Department of Energy document and communicate the objectives of the Alberta Royalty Tax Credit program and use measures to assess whether the program is meeting its objectives (2003 - No. 11).	Accepted. As noted in the audit findings, during the 2003-04 fiscal year the department has developed a draft objective and performance measures. The Ministry will work with Alberta Finance to obtain formal approval of the objective.
Environment	
13. Relevancy and sufficiency of performance measures	
We recommend that the Ministry improve the process for developing new performance measures and ensure the measures in its business plan assess the results each goal aims to achieve.	Accepted in principle. These recommendations will be considered in preparing the 2005-08 Business Plan in the context of the government's standards for 2005-08 ministry business plans.
Finance	
14. Private sector pension plans: compliance information	
We recommend that the Office of the Superintendent of Financial Institutions ensure that compliance staff: • promptly review and follow-up compliance information obtained from private sector pension plans • receive appropriate training to effectively discharge their responsibilities	Accepted. A business process review is underway and will be completed in 2004-05. The purpose is to identify ways to improve compliance processes and a workflow tracking system has been introduced to better monitor timelines for review of compliance information. An overall business unit competency training plan for 2005-06 will be developed.
15. Private sector pension plans: monitoring	
We recommend that the Office of the Superintendent of Financial Institutions improve its processes for monitoring private sector pension plans by: • preparing a risk-based annual plan for its compliance monitoring program that identifies resources required to effectively carry out the plan • reporting the results of regulatory activities by compliance staff to senior management • updating its policies and procedures manual	Accepted. The Office has instituted a risk assessment system, which is being used to identify at-risk plans for further action. Further, in conjunction with the business process review, reporting requirements for senior management are being identified and reporting processes will be established by the end of 2004-05. Also, policy and procedure manuals will be updated as required based on the results of the business process review.
16. Private sector pension plans: high-risk plans	
We recommend that, for high-risk employer pension plans, the Office of the Superintendent of Financial Institutions obtain: • assurance from pension plans' auditors on the plans' compliance with the Employment Pension Plans Act, Regulation and plan document • information on pension plans' governance structure and practices	Under review. Further consultation with stakeholders regarding the assurances to be provided by the plan's auditors will take place by March 31, 2006. Starting in 2005-06, procedures for examinations and reviews will incorporate methods for obtaining information about the governance structure and practices of high-risk pension plans.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
17. ATB: Lending policy compliance	
We again recommend that Alberta Treasury Branches ensure its lending officers comply with corporate lending policies (2003 - No. 15).	Accepted. The policy, guideline and process changes that are necessary to address the compliance issues raised have been identified. The most significant changes are currently on track for implementation by June 2005 with continuous improvement planned after that time period.
18. ATB: Key internal controls at Branches	
We again recommend that Alberta Treasury Branches ensure branch processes comply with corporate polices and procedures (2002 - No. 17).	Accepted. A new compliance assessment program and scorecard to assess, monitor and, as necessary, remediate performance against key compliance issues in branch administration and retail credit processes has been implemented. The program involves a follow-up round of site visits by compliance teams that will be completed before the end of the 2005-06 fiscal year.
19. ATB: Investment service regulatory compliance	
We recommend that ATB Investment Service Inc., ATB Investment Management Inc., and ATB Securities Inc. enhance their control processes to ensure they meet regulatory requirements.	Accepted. Programs have already been implemented to address all regulatory issues noted during the Auditor General's 2003-04 examination. It is anticipated that these programs will be completed by March 31, 2005.
Government Services	
20. Contracting policies and procedures	
We recommend that the Alberta Corporate Service Centre: • develop comprehensive contracting policies and procedures • train staff on how to follow the policies and procedures • monitor staff compliance with the policies and procedures	Accepted. ACSC will develop more comprehensive contracting policies and procedures by December 31, 2004 and train staff by March 31, 2005. Monitoring processes will then be implemented to ensure staff comply with the new policies and procedures.
Health and Wellness	
21. Health care registration	
We recommend the Department of Health and Wellness improve control over the health care registration system (1999 - No. 40).	Accepted. The Ministry is working to improve control over health registration. Prior to October 2004, a plan was developed for a new eligibility verification policy and process that introduces increased rigor by ensuring applicants provide proof of identity, residency and legal entitlement to reside in Canada. The implementation date for this new policy is January 2005. In October 2004, the Ministry began implementing a new duplicate or replacement health card policy and procedure

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
22. Information technology control environment	
We again recommend that the Department of Health and Wellness carry out a comprehensive risk assessment of its IT environment, and develop and implement an IT disaster recovery plan (2002 - No. 24).	Accepted. The Ministry began a comprehensive risk assessment of its IT environment in September 2004 with an anticipated completion date in the first quarter of the 2005-06 fiscal year. The Ministry has conducted a walk through of data and application processes on an annual basis with a mainframe recovery test conducted successfully in December 2003. The development of an all-encompassing formal disaster recovery plan is now well underway with an anticipated completion date of March 31, 2005.
23. Accountability of the Health Regions to the Minister	
We again recommend that the Department of Health and Wellness improve accountability of the Health Regions to the Minister by: • ensuring performance expectations for the Health Regions are explicit and accepted by the Health Regions, • reviewing and providing feedback to the Health Regions on the Health Regions' progress towards meeting expectations, and • taking follow up actions, including rewards and sanctions, to improve the future performance of the Health Regions (1998 - No. 26).	Accepted in principle. A robust accountability process that includes rewards and sanctions will evolve over time. The multi-year performance agreement process for 2004-05 and the new planning process for 2004-08 attests to the Ministry's attempts to improve the accountability of regional health authorities and provincial boards. The Ministry and the health authorities are continuing to refine performance measures and targets, including ways to improve quarterly reporting.

Infrastructure

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
24. Swan Hills Treatment Plant	
We recommend that the Ministry of Infrastructure establish a process to assess whether the Swan Hills Treatment Plant is achieving its objectives.	Accepted. A comprehensive strategic assessment will be undertaken by 2008-09.

Innovation and Science

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
25. Security awareness Program	
We recommend that the Corporate Chief Information Officer implement a security awareness program for government employees.	Accepted. The Office of the Corporate Chief Information Officer will work with the Office of the Auditor General and the Chief Information Officers' Council to reinforce the importance of ministries developing and delivering security awareness training to users of critical systems through the 2005-06 fiscal year.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
Learning	
26. University of Calgary: Planning for research capacity	
We recommend that the University of Calgary improve human resource and space plans and develop a system to quantify and budget for the indirect costs of research.	Accepted. The University is developing a comprehensive review of resources required to deliver its core services with a focus on its human resource and space planning. The University will continue to work with the Ministry and the federal government over the next two years to develop an improved understanding and appropriate funding of the incremental indirect costs of research.
Revenue	
27. Reliance on Canada Revenue Agency's compliance auditing	
We recommend that the Tax and Revenue Administration division of the Ministry of Revenue justify its reliance on the compliance audit activities of the Canada Revenue Agency.	Accepted. The Canada Revenue Agency has been asked for relevant information to be provided on an ongoing, formalized basis, and this request will be discussed further in upcoming meetings. The information obtained will be used in updating the program risk analysis.
Sustainable Resource Development	
28. Confined feeding operations	
We recommend that the Natural Resources Conservation Board enhance its compliance and enforcement function by prioritizing tasks based on risk analysis and managing odour and nuisance complaints more efficiently.	Accepted. The Natural Resources Conservation Board (NRCB) will be assessing compliance management practices in other jurisdictions, which will be used to formulate a standardized protocol by March 31, 2005. All senior managers have begun to formalize operational plans, with assistance from a professional consultant, to coincide with the development of the NRCB's 2005-08 Business Plan.
Transportation	
29. Monitoring processes for inspection programs	
We recommend that the Ministry of Transportation strengthen its monitoring processes for Commercial Vehicle Inspection Program and Motor Vehicle Inspection Program by: • documenting policies, procedures and management's expectations of the Vehicle Safety Investigators to ensure that they perform their functions appropriately and consistently; • developing a reporting process to allow senior management to enhance the assessment of the effectiveness of the programs.	Accepted. The Ministry will publish existing policies for Motor Vehicle Inspection Program and Commercial Vehicle Inspection Program, and develop procedures during 2004-05, with completion expected for Spring 2005. A risk based assessment model which will allow the resources to be more effectively targeted to areas requiring intervention will be implemented. Performance and activity reporting for contract auditors will be implemented within the 2004-05 fiscal year.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
30. Licensing inspection stations and technicians	
We recommend that the Ministry of Transportation improve the process to license inspection facilities and technicians.	Accepted. The Ministry will work on improving the process to license inspection facilities and technicians during 2004-05, with implementation to be completed in 2005-06.
Members of the Legislative Assembly (MLAs) expense reimbursements	
31. Timeliness of Report of payments to MLAs	
We again recommend that the Minister of Finance improve the timeliness of the annual Report of payments to MLAs (2003 - page 290).	Accepted in principle. Finance will work with the Legislative Assembly Office to streamline the process for developing the report.
Accountability	
Contracting for consulting services	
We recommend the Department of Health and Wellness follow its contract management policy and processes in awarding any contract for consulting services.	Accepted. The Ministry has requested the Office of the Chief Internal Auditor to review the Ministry's contract management processes to ensure the contract management policy is being followed. In addition, Treasury Board reinforced its previous policies and the Office of the Chief Internal Auditor and Finance will survey ministries annually.

IT'S YOUR FUTURE

2005
BUDGET

Table of Contents

Overview 155

Part I: Response Summary 156
  Response Rate and Confidence of Results 156
  Geographic Representation 157
  Method of Reply 158
Part II: Priority Ratings 158
  Priority Ratings 158
  Mean Priority Ratings – General Overview 161
  Mean Priority Ratings – Grouped Geography 161
  Mean Priority Ratings – Individual Geography 161

Part III: Response Distribution 163
  Response Distribution 163
  Grouped Priority Levels 164

Part IV: Questions 2D and 3 165

Part V: Summary of Methodology and Analysis 167
  General Verification Procedures 167
  Analysis and Statistical Tests 167

Part VI: Survey Form 169

LIST OF TABLES AND CHARTS

TABLE 1: Response Rate and Confidence Interval by Geography 156
FIGURE 1: Response Distribution vs. Household Distribution 157
FIGURE 2: Distribution of Responses by Method of Reply 158
TABLE 2: Priority Rating Mean Values by Major Geography 159
FIGURE 3: Response Trends for Priority Areas by Major Geography (Question 1) 160
FIGURE 4: Response Trends for "Windfall Money" Options by Major Geography (Question 2) 160
TABLE 3: Priority Rating Mean Values by Specific Geography 162
TABLE 4: Response Distribution by Priority Level for Questions 1 and 2 163
TABLE 5: Per cent of Respondents by Grouped Priority Level 164
TABLE 6: Per cent and Number of Responses for Question 2D (Options for "Windfall Money") Categories 165
TABLE 7: Per cent and Number of Responses for Question 3 (What the Government Could Do for Alberta's Future) Categories 166

Overview

Rankings in the final results remained the same as in the interim results.

Highest ever response for an Alberta household survey.

The *It's Your Future* survey gave Albertans the opportunity to provide advice on the province's policies in a debt-free Alberta. Interim results were reported October 19, 2004. This report provides the final results of the survey.

The final results are based on 282,156 responses received by mail and Internet between September 3, 2004 and October 29, 2004.

A survey response rate of 24.3 per cent was achieved with the results being statistically valid at the Alberta level plus-or-minus 0.2 per cent, 19.8 times out of 20.

Question 1: Relative Priorities

Respondents were asked to place a priority rating on nine key areas. Providing a quality, affordable Alberta health care system was ranked the top priority by respondents, followed by providing an outstanding education system.

Protecting the environment ranked third, followed by investing in infrastructure, reducing taxes, supporting the needy, building a diverse, innovative economy, responding to growth in cities and preserving rural communities.

Question 2: Options for "Windfall Money"

Now that unexpected surpluses no longer need to go to pay down debt, respondents were given three choices on what to do with unexpected surpluses. Making long-term investments in priority areas was the top priority. Providing refunds, and investing in the Heritage Savings Trust Fund followed in that order.

In the space provided for write-in comments, support for health care and education were the first and second suggestions, respectively.

Question 3: Three Things the Government Could Do

When given the opportunity to write-in the three things the government could do for the future, respondents reiterated the importance of health care and education as the two most important areas, followed by social services.

Part I: Response Summary

Response Rate and Confidence of Results

A total of 1,163,055 surveys were mailed to households in Alberta. Based on the 282,156 responses, the overall response rate for the survey was 24.3%.

The results are statistically valid at the Alberta level with a confidence interval of 99%, +/- 0.2% level of precision[1]. Approximately 217,000 responses were required to obtain this high confidence level.

The following table breaks down the response rate and confidence interval by geography.

TABLE 1: Response Rate and Confidence Interval by Geography

Geography	Number of Households[2]	Number of Respondents	Response Rate (%)	Confidence Interval
Edmonton Region	382,409	84,581	22.1	99% (+/- 0.4%)
Calgary Region	379,379	106,185	28.0	99% (+/- 0.3%)
Central Alberta Rural	152,314	35,769	23.5	99% (+/- 0.6%)
Northern Alberta Rural	79,473	8,850	11.1	99% (+/- 1.3%)
Southern Alberta Rural	39,795	15,152	38.1	99% (+/- 0.8%)
Red Deer Region	32,469	7,045	21.7	99% (+/- 1.4%)
Lethbridge Region	32,197	7,846	24.4	99% (+/- 1.3%)
Medicine Hat Region	24,613	5,707	23.2	99% (+/- 1.5%)
Fort McMurray Region[3]	17,345	2,779	16.0	99% (+/- 2.2%)
Grande Prairie Region	15,061	3,425	22.7	99% (+/- 1.9%)
Unknown Geography[4]	8,000	4,817	60.2	99% (+/- 1.2%)
Total Alberta	**1,163,055**	**282,156**	**24.3**	**99% (+/- 0.2%)**

[1] By comparison, standard surveys fulfill a confidence interval of 95%, +/- 5% level of precision.

[2] Household counts were estimated according to the distribution of surveys by Canada Post.

[3] Fort McMurray is now part of the Specialized Municipality of Wood Buffalo.

[4] Unknown geography included surveys with no available geographic information, such as those provided to institutions or those mailed out on a request basis.

Geographic Representation

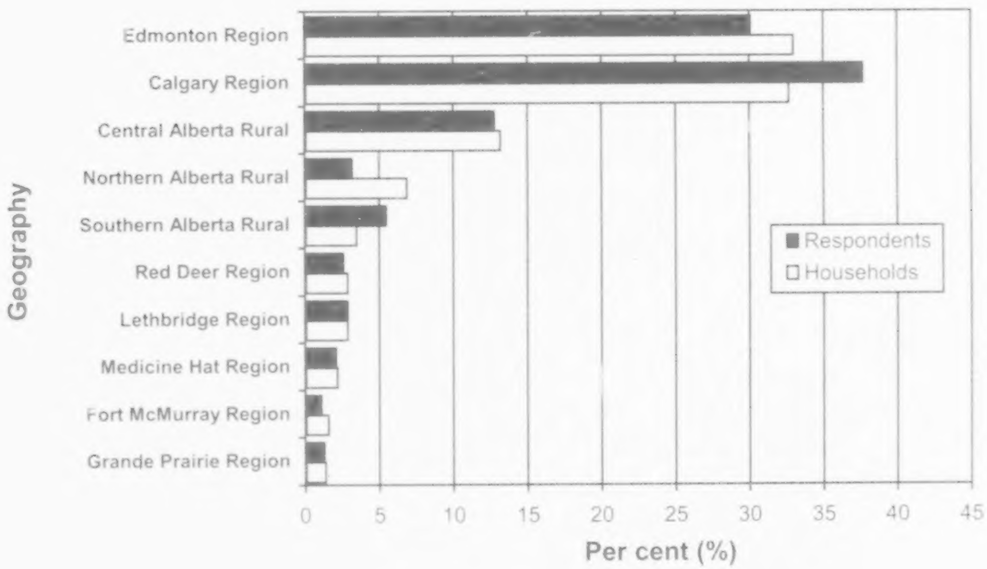
The survey was coded by 10 standard geographies (based on the 2001 Census of Canada) and configured to represent the province by major urban centres (including their surrounding areas) and central/north/south rural regions.

In addition to the ten standard geographies, an "unknown" category was added to classify responses with no available geographic information. This included surveys provided to institutions as well as those mailed out on a request basis.

The following bar chart compares the response distribution by geography, to the known household distribution by geography. The per cent of respondents for the majority of geographies closely matches the per cent of households by geography. In general, this indicates overall limited bias and enhances the validity of the survey results presented in this report, by making the results an accurate representation of Alberta households.

It should be noted, the Calgary region and the northern Alberta rural region, tend to display a greater level of discrepancy between the per cent of respondents and the per cent of households.

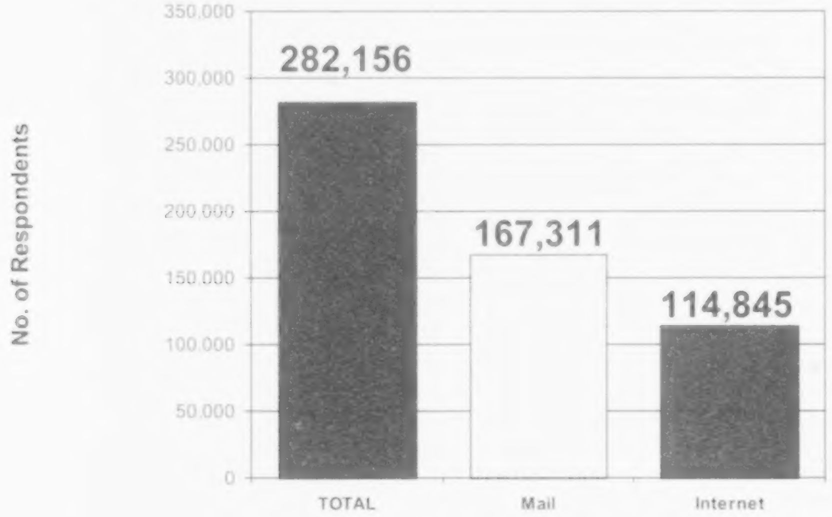
FIGURE 1: Response Distribution vs. Household Distribution



Method of Reply

Of the two methods in which to return the survey, respondents utilized the pre-paid postage mail surveys method (approximately 59.3%) more than the Internet method (approximately 40.7%). The choice of Internet response for this survey showed a marked increase when compared with previous consultation surveys of this nature. Prior surveys have exhibited less than a 10% Internet response rate.

FIGURE 2: Distribution of Responses by Method of Reply



Part II: Priority Ratings

Priority Ratings

Survey respondents were asked to rate the degree of priority for each item using a 10-point scale, 1 indicating the lowest priority and 10 indicating the highest priority.

The calculation of a mean (average) priority rating provides a summarized representation of the respondents' choices. The following table (Table 2: Priority Rating Mean Values by Major Geography) displays the average scores of the items in the survey by respondents for four grouped geographic regions within the province (Edmonton region, Calgary region, other urban regions and rural regions).

TABLE 2: Priority Rating Mean Values by Major Geography

Question	Priority Rating Mean Values(/10)				
	All Respondents	Edmonton Region	Calgary Region	Other Urban Regions	Rural Regions
QUESTION 1 - PRIORITY AREAS					
A. Provide a quality, affordable Alberta health care system	8.85	8.90	8.79	8.96	8.85
B. Provide an outstanding education system	8.39	8.50	8.39	8.43	8.24
C. Build a more diverse, innovative economy	6.71	6.83	6.63	6.67	6.69
D. Provide support to Albertans who need help	6.86	7.02	6.72	6.89	6.84
E. Respond to growth in cities	6.25	6.37	6.79	6.01	5.26
F. Preserve rural communities	5.94	5.80	5.45	5.85	7.02
G. Protect Alberta's environment	7.55	7.71	7.46	7.55	7.50
H. Invest in Alberta's infrastructure	7.00	7.05	7.05	6.93	6.89
I. Reduce taxes	6.91	6.80	6.83	7.07	7.16
QUESTION 2 - OPTIONS FOR "WINDFALL MONEY"					
A. Provide a refund to every Albertan	5.52	5.54	5.44	5.65	5.58
B. Save the money and invest it in the Heritage Fund	4.85	4.87	4.83	4.92	4.85
C. Make long-term investments in priority areas	6.94	6.96	7.04	6.90	6.80

The following two graphs depict response trends among geographical groups.

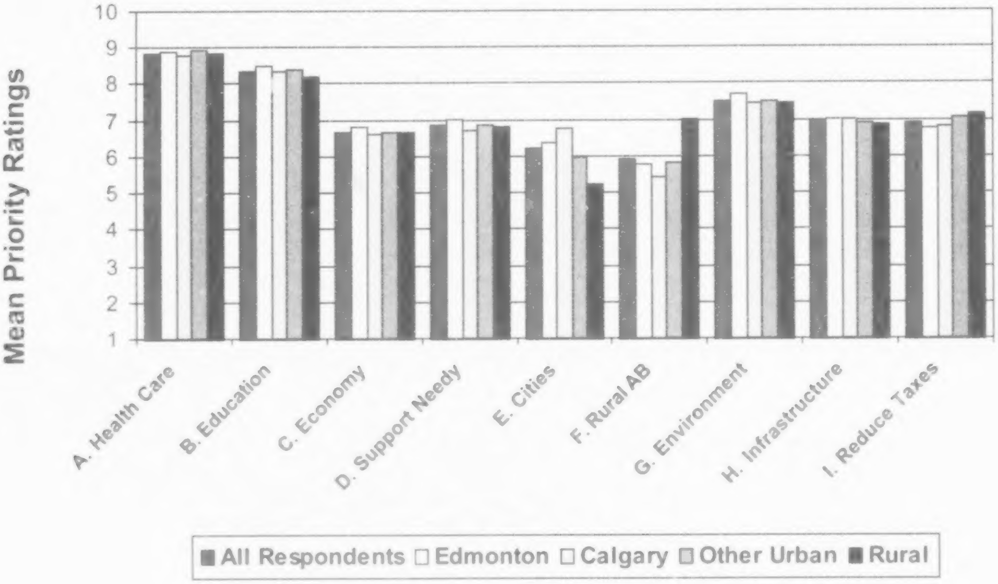


FIGURE 3: Response Trends for Priority Areas by Major Geography (Question 1)

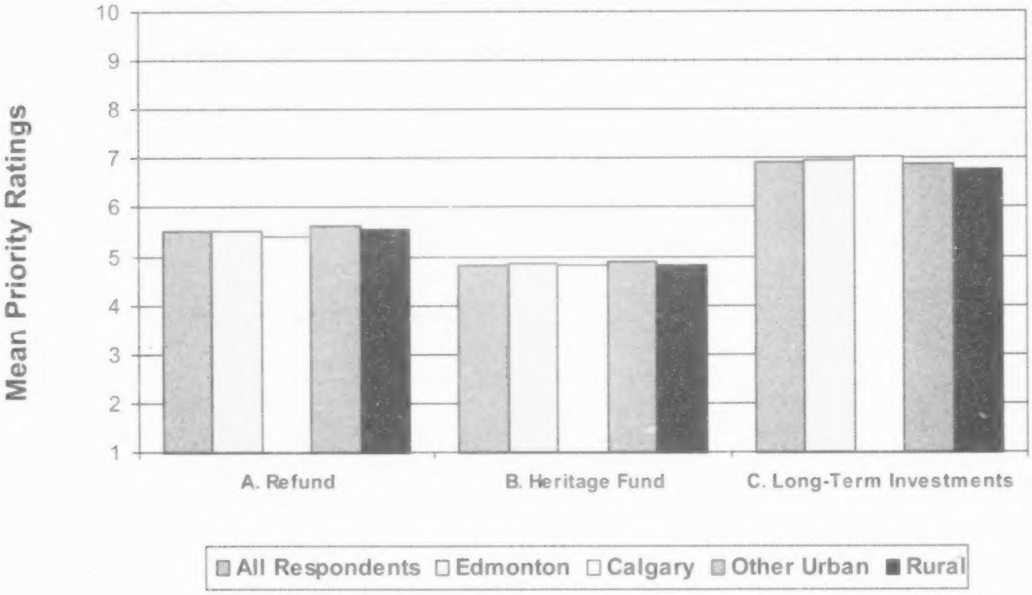


FIGURE 4: Response Trends for "Windfall Money" Options by Major Geography (Question 2)

Mean Priority Ratings - General Overview

The results for Question 1 (Priority Areas) shown in Table 2: Priority Rating Mean Values by Major Geography, indicated that Albertans (all respondents), on average, rated the highest priority for "health care" (8.85). The second highest score was for "education" (8.39) and the third highest score was for "environment" (7.55).

Although the fourth and fifth priority rankings residing with "infrastructure" and "reduce taxes" appear to be very close scores (7.00 and 6.91 respectively), statistical tests indicate "infrastructure" to be higher (statistically significant) than "reduce taxes." For additional analysis of "infrastructure" and "reduce taxes," see Table 5: Per cent of Respondents by Grouped Priority Level.

The order of priority for Question 2 (Options for "Windfall Money") from highest to lowest was "make long-term investments in priority areas" (6.94), "provide a refund to every Albertan" (5.52) and "save the money and invest in the Heritage Fund" (4.85). (See Table 2: Priority Rating Mean Values by Major Geography).

Mean Priority Ratings - Grouped Geography

Results for Question 1 (Priority Areas) showed the two major cities rated a higher priority on "growth of cities" than did the rural Alberta regions. In contrast to this, the rural regions placed a higher priority on "rural communities." [See Figure 3: Response Trends for Priority Areas by Major Geography (Question 1)].

Mean Priority Ratings - Individual Geography

The following table (Table 3: Priority Rating Mean Values by Specific Geography) provides an overview of the different opinions expressed by Albertans for the various geographic regions of the province.

The highest mean scores across all geographies for each item are in a shaded box, while the lowest mean scores are in a clear box.

TABLE 3: Priority Rating Mean Values by Specific Geography

Question	Priority Rating Mean Values(/10) Edmonton Region	Calgary Region	Red Deer Region	Lethbridge Region	Medicine Hat Region	Fort McMurray Region	Grande Prairie Region	Central Alberta Rural	Northern Alberta Rural	Southern Alberta Rural
QUESTION 1 - PRIORITY AREAS										
A. Provide a quality, affordable Alberta health care system	8.90	**8.79**	8.90	**9.01**	8.97	8.95	8.95	8.82	8.86	8.90
B. Provide an outstanding education system	8.50	8.39	8.46	8.53	**8.02**	**8.74**	8.56	8.22	8.15	8.33
C. Build a more diverse, innovative economy	**6.83**	6.63	6.70	6.68	**6.60**	6.64	6.72	6.69	6.66	6.74
D. Provide support to Albertans who need help	7.02	6.72	6.88	**7.04**	6.83	**6.61**	6.91	6.81	6.91	6.86
E. Respond to growth in cities	6.37	**6.79**	6.04	5.88	5.69	6.74	6.14	5.35	5.24	**5.03**
F. Preserve rural communities	5.80	**5.45**	5.93	5.84	5.80	5.64	5.98	6.93	**7.17**	7.13
G. Protect Alberta's environment	7.71	7.46	**7.77**	7.52	7.24	7.51	7.70	7.55	**7.20**	7.55
H. Invest in Alberta's infrastructure	7.05	7.05	6.95	**6.80**	**6.80**	**7.28**	7.10	6.88	6.84	6.91
I. Reduce taxes	**6.80**	6.83	7.02	7.03	7.28	6.99	7.02	7.11	**7.33**	7.16
QUESTION 2 - OPTIONS FOR "WINDFALL MONEY"										
A. Provide a refund to every Albertan	5.54	**5.44**	5.45	5.66	5.80	5.70	5.74	5.45	**5.81**	5.75
B. Save the money and invest it in the Heritage Fund	4.87	4.83	5.02	4.90	**5.03**	4.73	4.73	4.90	4.86	**4.72**
C. Make long-term investments in priority areas	6.96	7.04	6.95	6.90	**6.66**	**7.10**	6.97	6.84	6.71	6.78

☐ Highest Values ☐ Lowest Values

Part III: Response Distribution

Response Distribution

The following table shows the distribution of responses, indicating the response frequency for each priority level from 1 (very low priority) to 10 (very high priority).

TABLE 4: Response Distribution by Priority Level for Questions 1 and 2

Mean Values (/10)	Priority Frequency	Very Low Priority 1	2	3	4	5	6	7	8	9	Very High Priority 10	Total[5]
QUESTION 1 - PRIORITY AREAS												
A. Provide a quality, affordable Alberta health care system												
8.85	%	1.0	0.4	0.6	0.7	3.2	3.1	6.9	15.1	13.9	54.9	100.0
	No.	2,924	1,051	1,797	2,082	8,940	8,685	19,415	42,376	39,036	153,714	280,020
B. Provide an outstanding education system												
8.39	%	1.5	0.7	1.2	1.5	5.7	4.9	9.3	17.1	14.5	43.7	100.0
	No.	4,122	2,050	3,431	4,213	15,838	13,698	25,845	47,587	40,430	121,865	279,079
C. Build a more diverse, innovative economy												
6.71	%	3.4	2.3	3.9	4.8	14.6	12.9	17.5	19.4	8.8	12.5	100.0
	No.	9,232	6,318	10,594	12,946	39,703	35,028	47,739	52,730	23,903	34,012	272,205
D. Provide support to Albertans who need help												
6.86	%	3.1	2.5	4.3	5.1	14.2	11.7	15.3	16.6	8.5	18.7	100.0
	No.	8,613	6,809	12,041	14,237	39,402	32,582	42,456	46,248	23,611	51,969	277,968
E. Respond to growth in cities												
6.25	%	4.2	3.0	5.2	6.6	17.0	14.5	17.8	17.0	7.0	7.7	100.0
	No.	11,505	8,263	14,353	18,262	47,123	40,116	49,319	46,941	19,401	21,408	276,691
F. Preserve rural communities												
5.94	%	6.7	4.6	7.1	7.7	17.0	13.1	14.0	13.4	6.5	9.9	100.0
	No.	18,643	12,863	19,666	21,355	47,164	36,269	38,741	37,086	18,046	27,459	277,292
G. Protect Alberta's environment												
7.55	%	1.9	1.4	2.6	3.3	10.2	9.0	13.9	18.8	12.5	26.5	100.0
	No.	5,172	3,953	7,078	9,280	28,421	25,050	38,530	52,240	34,769	73,561	278,054
H. Invest in Alberta's infrastructure												
7.00	%	2.2	1.6	2.9	3.9	12.4	12.6	18.9	21.8	10.9	12.8	100.0
	No.	6,179	4,306	7,904	10,884	34,334	34,976	52,412	60,339	30,313	35,314	276,961
I. Reduce taxes												
6.91	%	9.4	3.8	4.6	4.1	10.7	7.0	8.5	10.5	8.3	33.1	100.0
	No.	26,386	10,550	12,946	11,517	29,893	19,666	23,648	29,236	23,048	92,575	279,465
QUESTION 2 - OPTIONS FOR "WINDFALL MONEY"												
A. Provide a refund to every Albertan												
5.52	%	25.7	5.6	5.9	4.2	9.6	5.2	5.6	7.3	5.0	25.9	100.0
	No.	70,615	15,513	16,233	11,548	26,354	14,256	15,516	20,136	13,652	71,268	275,091
B. Save the money and invest it in the Heritage Fund												
4.85	%	18.8	6.6	8.7	7.7	18.8	9.8	9.8	9.2	4.3	6.3	100.0
	No.	51,231	18,054	23,738	20,975	51,292	26,610	26,694	25,106	11,841	17,060	272,601
C. Make long-term investments in priority areas												
6.94	%	6.3	2.4	3.8	4.1	12.7	8.5	12.4	17.0	10.7	22.3	100.0
	No.	17,150	6,580	10,239	11,066	34,698	23,125	33,690	46,067	29,117	60,800	272,532

[5] Totals may not add due to rounding.

Grouped Priority Levels

The table below denotes levels of response distribution summarized by the per cent of respondents grouped into low (priorities 1 to 4), medium (priorities 5 to 7), and high (priorities 8 to 10) priority categories.

TABLE 5: Per cent of Respondents by Grouped Priority Level

	% of Respondents[6]		
Question	Low Priority 1-4	Medium Priority 5-7	High Priority 8 - 10
QUESTION 1 - PRIORITY AREAS			
A. Provide a quality, affordable Alberta health care system	2.8	13.2	84.0
B. Provide an outstanding education system	5.0	19.8	75.2
C. Build a more diverse, innovative economy	14.4	45.0	40.6
D. Provide support to Albertans who need help	15.0	41.2	43.8
E. Respond to growth in cities	18.9	49.4	31.7
F. Preserve rural communities	26.2	44.1	29.8
G. Protect Alberta's environment	9.2	33.1	57.7
H. Invest in Alberta's infrastructure	10.6	43.9	45.5
I. Reduce taxes	22.0	26.2	51.8
QUESTION 2 - OPTIONS FOR "WINDFALL MONEY"			
A. Provide a refund to every Albertan	41.4	20.4	38.2
B. Save the money and invest it in the Heritage Fund	41.8	38.4	19.8
C. Make long-term investments in priority areas	16.5	33.6	49.9

[6] Totals may not add due to rounding.

Part IV: Questions 2D and 3

Respondents were given the chance to offer other options for "windfall money" for Question 2D besides the three already mentioned (Question 2A: provide a refund to every Albertan, Question 2B: save the money and invest it in the Heritage Fund and Question 2C: make long-term investments in priority areas).

Question 3 asked Albertans for three things the government could do for Alberta's future.

The following two tables indicate the per cent and number of responses for each of the major categories developed for Questions 2D and 3. Since there were three response options available for Question 3, respondents may have indicated ideas, which were included in a particular category more than once.

Within the "Other" category for Questions 2D and 3, additional subcategories were developed based on a sampling of survey submissions to provide a more detailed look at the "Other" category responses.

TABLE 6: Per cent and Number of Responses for Question 2D (Options for "Windfall Money") Categories[7]

Categories	% of Responses	No. of Responses
Health Care	18.7	18,327
Education	14.5	14,248
Reduce Taxes	10.4	10,218
Infrastructure	6.7	6,568
Environment	3.9	3,785
Other[8]	45.8	44,868
Seniors	13.7	13,460
A.I.S.H.	10.5	10,320
Agriculture	4.6	4,487
Cost of Energy (Reduce)	4.1	4,038
Restore Program Funding	3.7	3,589
Incentives for Stay at Home Mothers	3.2	3,141
Arts	2.7	2,692
Sports/Athletics	2.7	2,692
Additional Comments	0.5	449
ALL CATEGORIES	**100.0**	**98,014**

[7] Totals may not add due to rounding.

[8] Subcategory estimates for "Other" are based on a random statistical sampling of response submissions.

TABLE 7: **Per cent and Number of Responses for Question 3 (What the Government Could Do for Alberta's Future) Categories**[9]

Categories	% of Responses	No. of Responses
Health Care	19.8	136,510
Education	17.8	122,753
Social Services	9.4	64,703
Reduce Taxes	7.8	53,960
Infrastructure/Transportation	6.1	41,714
Environment	5.9	40,520
Economy	4.6	31,831
Energy/Gas Prices	3.7	25,609
Agriculture	1.9	13,260
Heritage Fund/Investments	1.6	11,062
Minimum Wage	1.4	9,896
Other[10]	19.8	136,204
Inter-provincial/Federal-provincial Relations	2.8	19,069
Government Performance	2.0	13,620
"Don't Go into Debt Again"	1.6	10,896
Law Enforcement	1.6	10,896
Refund Albertans	1.6	10,896
Royalties on Oil and Gas (Increase)	1.4	9,534
Auto Insurance Rates (Decrease)	1.4	9,534
Arts	1.2	8,172
Government Reform & Responsibility	1.2	8,172
Sports/Athletics	1.2	8,172
Judicial Reform	0.6	4,086
U.S.A. Relations	0.6	4,086
Additional Comments	2.8	19,069
ALL CATEGORIES	100.0	688,022

[9] Totals may not add due to rounding.

[10] Subcategory estimates for "Other" are based on a random statistical sampling of response submissions.

Part V: Summary of Methodology and Analysis

General Verification Procedures

- To ensure the validity of all survey responses, each submission was reviewed and checked for administrative accuracy and multiple response patterns prior to scanning, coding and keypunching.
    - Mail-in responses (167,621) were checked for batch submissions with identical markings and response patterns. Consecutive, multiple survey submissions with identical markings and response patterns were removed, allowing only two responses to be counted from the group. This precaution was taken to ensure surveys delivered in batch to non-single family dwellings (i.e., institutional residences) were fully reviewed to detect multiple submission irregularities.
    - For Internet submissions (115,487), multiple responses from the same IP address were checked for time and frequency of submission, and variability of response. Where response patterns were identical for a single IP address, and submission time was consecutive and displayed only a marginal interval between submissions, only two responses were accepted. This precaution was undertaken to eliminate any invalid mass submissions that could potentially skew survey results. In addition, any non-Alberta IP addresses, where identifiable, were removed.
    - Prior to survey analysis, 310 responses were removed from paper survey submissions while 642 were removed from Internet submissions, for a total of 952 submissions removed.
- For survey analysis purposes, each survey returned with a useable response was considered to be a valid submission. As some households chose not to respond to all questions fully, frequency response rates varied for each part/question of the survey.

Analysis and Statistical Tests

- As two forms of survey responses were allowed (mail-in and Internet), comparisons were conducted between the two response methods and the total response (both mail-in and Internet). The rankings of the priority rating mean values for each item of Question 1 (Priority Areas) and Question 2A-C (Options for "Windfall Money") were examined. It should be noted, all results within this report are based on the total response, where mail-in and Internet are considered equal response methods.
    - When mail-in response was compared with the total response, the rankings for each item were nearly identical. The single exception was "invest in Alberta's infrastructure" (Question 1H) ranked fourth for total response, but fifth for mail-in response, while "reduce taxes" (Question 1I) ranked fourth for mail-in response, and fifth for total response.

  - To assess the Internet response method for multiple submissions from a respondent, a test was conducted by extracting only one submission from each Internet IP address, thereby reducing the possibility of multiple submissions. The rankings of mean priority ratings were the same for all valid Internet responses verses the extraction of single IP address Internet responses. The rankings were also identical for total mean priority ratings (both mail-in and Internet) using all valid Internet responses verses total mean priority ratings using only single IP address Internet responses.

- A variety of statistical tests (i.e., ANOVA, T-Test, Chi-Square) were employed to provide a statistically valid basis for reporting the survey results.

Part VI: Survey Form

It's Alberta's future. What choices would you make?

1. There are important challenges to address, but we can't afford to do everything. Tell us what you think the priorities should be. Please use the scale below to indicate your opinion for each item, where 10 means you think it should be a very high priority and 1 means you think it should be a very low priority. **(FILL IN ONE NUMBER FOR EACH).**

Priority	Very Low									Very High
Scale:	1	2	3	4	5	6	7	8	9	10

Provide a quality, affordable Alberta health care system
○ ○ ○ ○ ○ ○ ○ ○ ○ ○

Provide an outstanding education system
○ ○ ○ ○ ○ ○ ○ ○ ○ ○

Build a more diverse, innovative economy
○ ○ ○ ○ ○ ○ ○ ○ ○ ○

Provide support to Albertans who need help
○ ○ ○ ○ ○ ○ ○ ○ ○ ○

Respond to growth in cities
○ ○ ○ ○ ○ ○ ○ ○ ○ ○

Preserve rural communities
○ ○ ○ ○ ○ ○ ○ ○ ○ ○

Protect Alberta's environment
○ ○ ○ ○ ○ ○ ○ ○ ○ ○

Invest in Alberta's infrastructure
○ ○ ○ ○ ○ ○ ○ ○ ○ ○

Reduce taxes
○ ○ ○ ○ ○ ○ ○ ○ ○ ○

2. Now that unexpected windfall money no longer has to go to pay down the debt, what priority would you place on each of the following options? Use the same scale as above.

Provide a refund to every Albertan
○ ○ ○ ○ ○ ○ ○ ○ ○ ○

Save the money and invest it in the Heritage Fund
○ ○ ○ ○ ○ ○ ○ ○ ○ ○

Make long-term investments in priority areas
○ ○ ○ ○ ○ ○ ○ ○ ○ ○

Other

3. If there were three things your government could do for Alberta's future, what would they be?

INDEX OF CHARTS AND TABLES

BUDGET 2005

Index of Charts and Tables

FISCAL PLAN

Fiscal Summary 38
Sustainability Fund 38
Accumulated Debt 38
Balance Sheet Summary 39
Estimate of Assets, Liabilities and Net Assets 39
Revenue 40
2005-06 Revenue 41
Expense by Ministry 42
Expense by Function 42
2005-06 Expense 43
2005-06 Expense by Function 44
2005-06 Expense by Object 45
Capital Plan 46
2005-08 Capital Plan 46
Capital Plan Funding Details 47
Comparison of the Capital Plan and Capital Expense 47
Capital Investment in Government-Owned Capital 48
Grants to Local Authorities for Capital Purposes and Other Infrastructure Support 48
Capital Amortization for Government-Owned Capital 49
Capital Account 49
Sustainability Fund Details 50
Detailed Sustainability Fund Adjustments 51
Balance Sheet Details 52
Capital Assets 53
Debt Servicing Costs 53
Pension Obligations 53
General Revenue Fund Term Debt Maturities 54
Net Financing Requirements 54
Loans and Advances 55
Guarantees 55
2005-06 Allocation of Lottery Fund Revenue 56
Full-Time Equivalent Employment 57
Premiums, Fees and Licences Changes 57
Major Provincial Tax Rates, 2005 58
Key Energy and Economic Assumptions 59
Sensitivities to Fiscal Year Assumptions, 2005-06 59
Historical Fiscal Summary, 1986-87 to 2007-08 60

CAPITAL PLAN

Interprovincial Comparison of Capital Expenditures 64
Capital Plan Support for $9.2 Billion of Capital Projects 65
Capital Plan Summary 66

Provincial Support for Capital Projects 68
Capital Plan Funding Sources 68
Capital Plan Summary by Function 70
Capital Plan Details 74

ECONOMIC OUTLOOK

Key Energy and Economic Assumptions 79
Manufacturing Sector Gains Momentum 80
Alberta Leads in Retail Sales 81
Lowest Unemployment Rate in Canada 81
Alberta's Healthy Economic Growth to Continue 85
Alberta's Investment Advantage Strengthens 87
Sensitivities to Fiscal Year Assumptions, 2005-06 88
Strongest Global Growth in Decades 89
Rising Dollar Affects Canadian Economic Growth 89
Canadian Job Growth Remains Steady 90
Inflation Remains Low 90
Canada-U.S. Interest Rate Spread Eliminated 91
Canadian Dollar Reaches a 12-Year High 91
Oil Prices Reach Record Highs 92
Natural Gas Prices Remain High 92
Conventional Energy Sector Sees Record Activity 93
Non-Conventional Oil Still Growing 93
Oil Sands Investment Remains High 94
Business Investment Sustains Healthy Economic Growth 94
Alberta's Exports Remain Strong 95
Manufacturing and Services Exports Growing 95
Wage Levels Among Highest in Canada 96
Highest Disposable Income in Canada 96
Housing Starts Remain Strong 97
Alberta Job Growth to Remain Strong 97
Interprovincial Migration Levels Moderating 98
Lowest Unemployment Rate in Canada 98
Oil Price Forecast Benchmark 99
Tracking the Forecasts of Oil Prices 99
Natural Gas Price Forecast Benchmark 100
Tracking the Forecasts of Natural Gas Prices 100
Canadian Short-Term Interest Rate Forecast Benchmark 101
Canadian Long-Term Interest Rate Forecast Benchmark 101
Canada/United States Exchange Rate Forecast Benchmark 102
Alberta Real Gross Domestic Product Forecast Benchmark 102
Announced Major Projects Over $100 Million 103

ALBERTA ADVANTAGE

Real GDP Per Capita 111
Real Economic Growth 111

Investment Per Capita ... 112
Unemployment Rate ... 112
Personal Income ... 112
Personal Disposable Income ... 112
Retail Sales Per Capita ... 113
Business Growth ... 113
Corporate Headquarters ... 113
Population ... 114
Net Interprovincial Migration ... 114
Performance of Students Aged 15 ... 115
Population Aged 25-64 With Post-Secondary Education ... 115
Share of Population Under 40 ... 115
Participation Rate ... 115
Employment to Population Ratio ... 116
Labour Productivity ... 116
Labour Record ... 116
Internet Use ... 116
Total Provincial Tax Load ... 117
Retail Sales Tax Rates ... 117
Combined Top Marginal Personal Income Tax Rates ... 118
Family Earning $30,000 ... 118
Family Earning $60,000 ... 118
Family Earning $100,000 ... 118
Provincial General Corporate Income Tax Rates ... 119
Provincial Small Business Corporate Income Tax Rates ... 119
Gasoline Tax Rates ... 119
Alberta's Tax Advantage ... 119
Business Costs Index ... 120
Initial Investment Costs ... 120
Annual Labour Costs ... 121
Workers' Compensation Premiums ... 121
Investment Climate ... 121
Office Occupancy Costs ... 121
Gasoline Prices ... 122
Natural Gas Rates ... 122
Daily Living Price Index ... 122
Housing Affordability ... 122
Net Home Property Taxes ... 123
Life Expectancy ... 124
Quality of Life Index ... 124
Expenditure on Recreational Activities ... 125
Support for Performing Arts ... 125
Provincial Health Expenditure ... 125
Provincial and Local Education Expenditure ... 125
Government Surpluses (Deficits) ... 126

Government Net Financial Assets (Debt) 126
Alberta's Accumulated Debt 127
Credit Rating 127
Borrowing Costs 127
Budget Performance Index 127
Economic Freedom Index - Canada 128
Economic Freedom Index - North America 128

ALBERTA TAX ADVANTAGE

Alberta's Tax Advantage 131
AFETC Reform Benefits by Family Income 132
Enhanced Alberta Family Employment Tax Credit 133
2005 Distribution of Personal Income Tax Burden 134
Alberta Non-Refundable Tax Credit Block 134
Effective Marginal Tax Rate on Capital Investment
G8 Countries, 2004 135
Provincial Uniform School Property Tax Rates 136
Basic Education Funding 136
2005-06 Tax Revenue 138
2005-06 Revenue from Tax Sources 139
Interprovincial Tax and Health Care Insurance
Premium Comparison, 2005 140
Major Provincial Tax Rates, 2005 141
Top Marginal Personal Income Tax Rates, 2005 141
Net Property Tax for a Single Family Home, 2004 142

IT'S YOUR FUTURE

TABLE 1: Response Rate and Confidence Interval by Geography 156
FIGURE 1: Response Distribution vs. Household Distribution 157
FIGURE 2: Distribution of Responses by Method of Reply 158
TABLE 2: Priority Rating Mean Values by Major Geography 159
FIGURE 3: Response Trends for Priority Areas by Major Geography
(Question 1) 160
FIGURE 4: Response Trends for "Windfall Money" Options by
Major Geography (Question 2) 160
TABLE 3: Priority Rating Mean Values by Specific Geography 162
TABLE 4: Response Distribution by Priority Level for Questions 1
and 2 163
TABLE 5: Per cent of Respondents by Grouped Priority Level 164
TABLE 6: Per cent and Number of Responses for Question 2D
(Options for "Windfall Money") Categories 165
TABLE 7: Per cent and Number of Responses for Question 3
(What the Government Could Do for Alberta's Future) Categories 166